

11 Dead, 40 Injured By Car Bomb at Spanish Civil Guard Barracks

By Tom Burns
Washington Post Service
MADRID — A car bomb that bore the hallmarks of Basque terrorists exploded Friday at a barracks of the paramilitary Civil Guard in the northeastern city of Zaragoza, killing 11 persons and injuring 40.

The blast ended a six-month lull in major terrorist attacks in Spain. It followed recent police successes

against the Basque separatist group ETA and the Spanish government's exploratory cease-fire talks with the organization.

Four girls were among the dead pulled from the rubble of the three-story brick building, which housed 30 Civil Guard members and their families.

An estimated 110 pounds (50 kilograms) of explosives ripped a 15-yard (13-meter) hole in a facade of the building's living quarters.

Security at the barracks said two men parked a car against the building shortly after 6 A.M. and then left in another car. The parked vehicle exploded almost immediately and a sentry who was approaching it was among the seriously injured.

The violence of the attack recalled ETA's last major attack in June, when a bomb in a Barcelona supermarket killed 21 persons. A car bomb early this year in Zaragoza killed an army major and the driver of a military bus.

Over the past two decades, ETA has been linked to about 550 deaths and more than 400 of the organization's members are serving prison sentences. The group is seeking to create an independent Basque state.

ETA is the Basque-language acronym for Basque Homeland and Liberty.

The attack Friday showed that the separatists are still employing violence, despite the apparent progress of the Spanish government's carrot-and-stick approach to disarm ETA and end the violence.

The dual-track policy involves police drives against ETA and secret negotiations with separatists to bring about the organization's surrender.

Police actions against ETA have been matched by political initiatives. Since the summer, officials have acknowledged that government envoys and ETA representatives have held talks in Algeria, hinging on a separatist cease-fire and individual pardons for imprisoned ETA members.

Indicating a suspension of such contacts, a government spokesman said Friday in Madrid that there could not be talks while the violence continued.

Spain has been aided by France, until recently a traditional hiding place for Basques, in its crackdown. In September, the capture of ETA's alleged military commander in southwestern France prompted a roundup of more than 100 suspects in Spain and France. In the past 18 months, about 160 Basque suspects living near France's border with Spain have been deported to Spain.

Earlier this month, the Spanish authorities revealed that a series of arrests of ETA members in Spain had thwarted a plan to bomb a ski resort frequented by King Juan Carlos I of Spain.

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Malaysia has said that if the claim to Sabah is dropped, it would sign a treaty of friendship and cooperation, and border patrol agreement, with the Philippines.

Diplomats said Friday that such an accord would strengthen ASEAN cohesion and help reduce the flow of smuggled arms thought to be reaching Communist and Moslem rebels in the southern Philippines from Malaysia.

Abu Hassan Umar, Malaysia's foreign minister, said Thursday that the U.S.-Soviet treaty to eliminate intermediate-range missiles, including those in Asia, would help create favorable conditions for keeping nuclear weapons out of South East Asia.

He said in Kuala Lumpur that a draft treaty for a nuclear-free zone would be discussed at the Manila summit.

Singapore and Thailand believe that if ASEAN adopted the nuclear-free treaty it might make it more difficult for the United States to remain in the region as a military power to counterbalance the presence of Soviet naval and air forces at Cam Ranh Bay in Vietnam.

Many U.S. warships and aircraft in Southeast Asia are capable of carrying nuclear weapons.

ASEAN: A Look to Japan

(Continued from Page 1)

cess into each of the six home markets.

But analysts noted that many ASEAN countries produced similar goods and competed for export markets and investment. This ruled out rapid movement toward a West European-style economic community, they said.

But this growth strategy is now under threat and one ASEAN member, the Philippines, has been rocked by coup attempts and an aggressive Communist insurgency.

Because of security concerns, the Manila summit meeting was cut to two days from three. The government of President Corason C. Aquino has deployed thousands of troops, as well as warships and helicopters, to guard visiting officials.

Raul Manglapas, the foreign minister of the Philippines, said Thursday it was possible that a long-standing territorial dispute between the Philippines and Malaysia would end during the Manila meeting.

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Walesa Says He Backs U.S.-Soviet Arms Pact

The Associated Press
BUFFALO, New York — The Polish Solidarity leader, Lech Walesa, said in an interview with a public radio station here that he approved of the U.S.-Soviet arms-reduction treaty.

"It is a step in the right direction, so obvious that everybody — all reasonable people — know it has to be taken in order to approach the solution of the other problems," he said Thursday in an interview by telephone from Gdansk, Poland.

Walesa, a Nobel Peace Prize laureate, said the treaty would help reduce the risk of nuclear war and create a more stable world.

He also said that Poland would support the treaty and would work to ensure its implementation.

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Anti-government protesters in a torchlight procession Friday night in Dhaka.

Bangladesh Opposition Defies Protest Ban

Compiled by Our Staff From Dispatches

DHAKA, Bangladesh — Opposition leaders, freed from detention, defied state of emergency laws Friday and held protest rallies while renewing calls for the resignation of Bangladesh's president, Lieutenant General Hussain Mohammad Ershad.

Officials in the capital said that General Ershad, facing the worst challenge in his six years of power, might concede to an opposition demand for a caretaker government to oversee new elections.

General Ershad, who dissolved Parliament on Sunday, said Friday that elections for a new Parliament would be held within the 90 days stipulated by the constitution. Addressing public meetings in western Bangladesh, he said elections were "the only constitutional means to overcome the situation now facing the nation."

He maintained that responsibility for running Bangladesh would go to whatever party won the elections.

"He seems quite close to hitting the bullseye," a source close to the president said, adding that aides were working out the details of a plan for a caretaker government. General Ershad, 57, came to power in a military coup in 1982. (Reuters, AFP)

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On Friday, the foreign ministers of the five countries where the missiles are based signed an accord clearing the way for Soviet specialists to inspect the missile sites on their territory as part of the treaty's complex verification procedures.

Foreign Minister Hans-Dietrich Genscher of West Germany said the treaty was an example of "how the alliance can make its policies prevail if it remains united and decisive."

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Israelis Kill 3 Protesters At Camp in West Bank

By Glenn Frankel
Washington Post Service

NABLUS, Occupied West Bank — Israeli soldiers opened fire Friday on Palestinian demonstrators at a refugee camp here, killing at least three persons.

The clash raised the toll to at least 6 dead and more than 50 wounded in 3 days during the worst outbreak of violence in several years in the occupied West Bank and Gaza Strip.

Arab witnesses said four Palestinians died at the Balata refugee camp. Two were 11-year-old boys, said the witnesses, whose accounts differed widely from the army's. Of the Palestinians killed since Wednesday, two were teenagers and three were 12 or under.

The shootings occurred after the military authorities pledged to increase patrols and crack down on stone-throwers at the camp, which the Israeli army considers a hotbed of Palestinian resistance.

An army spokesman said the crackdown would continue despite the deaths because "if we allow this to go on, it will spread all over" the West Bank.

The spokesman said the clash began when dozens of residents at the camp were ordered out of their houses by two rival youth gangs and surrounded a patrol of Israeli border police.

The latest violence in the occupied territories began last weekend with the stabbing death of an Israeli businessman in Gaza City.

■ 5 Die in Sea Clash
The Israeli military said Friday that an Israeli Navy second lieutenant and four Palestinian guerrillas were killed when a navy boat discovered a rubber dinghy carrying guerrillas off the southern coast of Lebanon. The New York Times reported from Jerusalem.

The navy, which closely monitors international waters around Israel, identified the dinghy Thursday night near the mouth of the Litani River, between Tyne and Sidon, a spokesman said Friday.

There are now about 500,000 blacks and 1.5 million Asians. If the going has been rougher for the immigrants in Montreal, black leaders believe it may be because the city has been absorbed with the fight for advancement of French Canadians, a minority within the country at large but overwhelmingly preponderant in Quebec. The fight, recurrent for a century, ignited in earnest in the 1960s, just as the black community began to grow with migrants from Grenada, Haiti and Jamaica.

According to Ms. Lynton-Holt, 42, who grew up in Panama, the new arrivals changed a community that traced its roots to slaves brought to Quebec from Africa and the Caribbean in the 18th and early 19th centuries, and to American blacks, some of them also slaves, who fled to Canada between the Revolution and the Civil War.

Progress was made in some other areas as well.

The Soviet Union gave formal assurances that the throw-weight, or lifting capacity, of its missiles would be cut by 30 percent. That was in line with past U.S. demands.

The United States, for its part, agreed there could be limits on the number of sea-launched cruise missiles, as the Russians have insisted. But the two sides still have to work out what those limits should be and how they should be verified.

Some progress was made, too, on how to verify a new treaty on long-range arms.

Specifically, the two sides agreed on "counting rules" to determine how many warheads are actually carried on their missiles. Further, some Reagan administration officials said the Soviet side had agreed to the American suggestion that there should be a ban on the encoding of electronic signals during missile tests, as the United States has insisted.

But although progress was made in these areas, the two sides failed to resolve some key differences on a treaty reducing long-range arms, such as what further limits should be placed on the number of warheads on land-based missiles.

The United States has insisted that the Soviet Union accept a limit of 3,000 on the number of warheads on land-based missiles, which is Moscow's strong suit in strategic weaponry. Soviet officials are reported to have countered by saying that Moscow would accept a limit of 3,000 on the number of warheads on its land-based missiles, which is Washington's strong suit in strategic weaponry. Soviet officials are reported to have countered by saying that Moscow would accept a limit of 3,000 on the number of warheads on its land-based missiles, which is Washington's strong suit in strategic weaponry.

The summit meeting was a success because both Mr. Reagan and Mr. Gorbachev wanted it to succeed. They appeared to have come to the same conclusion — that the time was ripe to improve Soviet-U.S. relations, even if their biggest differences could not be resolved.

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WORLD BRIEFS

Beirut Weekly Says U.S. Hostage Is Ill

BEIRUT (Reuters) — An unidentified American hostage in Lebanon is dangerously ill but will be freed soon, the Lebanese weekly magazine Ash Shuraa said Friday.

"Beirut will soon witness the release of an American hostage after his health deteriorated in a way that threatens his life," said the magazine, which in November 1986 first revealed the U.S. arms-for-hostages trade stage by which all the demands of the kidnappers have been achieved. The magazine, known for its close ties to Iranian officials, did not name the hostage. Nine Americans are among 24 foreigners believed to be held hostage in Lebanon. The Islamic Jihad for the Liberation of Palestine said in March that an American it was holding, Alan Stein, 48, was gravely ill. But he later appeared in a videotape made by his captors and said he had recovered.

Yugoslav Town Stages Hunger Strike

BELGRADE (Reuters) — All 750 adult inhabitants of a Yugoslav village are on a hunger strike to protest the arrest of two youths, the semi-official Belgrade newspaper Politika said Friday.

The inhabitants of Mosevac, in the central Yugoslav republic of Bosnia-Herzegovina, began their protest Wednesday, the paper said. The jailed youths, also on a hunger strike, were arrested for accusing local organizations of corruption.

Meanwhile, about 1,000 coal miners in Kakanj, in central Yugoslavia, went on strike Friday to demand a pay rise, the news agency Tanjug said. It said the miners were striking because they received a 25-percent pay increase for November and December rather than the 50 percent they had requested. They also sought a 100-percent pay raise for January. Yugoslavia has an inflation rate of 160 percent.

22d Game Is Drawn in Chess Match

SEVILLE, Spain (Reuters) — The 22d game of the world chess championship between the titleholder, Garry Kasparov, and his challenger, Anatoli Karпов, was agreed drawn on Friday after just 19 moves. The 24-game match is tied at 11 points apiece.

GAME 22
QUEEN'S GAMBIT DECLINED

White: Kasparov Black: Karпов White: Kasparov Black: Karпов White: Kasparov Black: Karпов

1. e4 c5 2. Nf3 d5 3. Bb5 Nc6 4. d4 exd4 5. Nxd4 Nf6 6. e5 dxe5 7. Qe2 Qc7 8. Qxc4 Qxc4 9. Nxc4 Bb7 10. Bb3 Nxd4 11. Bxd4 Nc6 12. Nc3 Bb7 13. Qd3 Qc7 14. Qxc4 Qxc4 15. 0-0 Bb7 16. Bb3 Nxd4 17. Nf3 Nf6 18. Bb3 Nf6 19. Rf1 Rf8 Drawn

UN Panel Rejects U.S. Move on PLO

UNITED NATIONS, New York (NYT) — The United Nations put itself on a collision course Friday with the United States when a key committee of the General Assembly voted overwhelmingly to condemn a U.S. congressional attempt to close the Palestine Liberation Organization's observer mission to the United Nations.

The Committee on International Legal Matters endorsed by a vote of 100-1 a resolution that affirms the PLO's right to maintain its observer mission under the UN's 1947 Headquarters Agreement with the United States. The agreement sets out the terms and conditions under which the United Nations established itself in New York.

Haiti Candidates Call on Junta to Quit
PORT-AU-PRINCE, Haiti (AP) — Four leading presidential candidates on Friday jointly called for the military-led junta to resign immediately and spurred its plans for new elections as a route to retain power. The junta leader, Lieutenant General Henri Namphy, was urged by Caribbean leaders on Thursday to present a broadly based electoral council. Elections on Nov. 29 were halted by violence that left 34 people dead, and opponents said the three-member junta did nothing to protect the public. The junta has said it will swear in a new nine-member Electoral Council on Saturday and move ahead to new elections Jan. 17.

For the Record

St. James Goldsmith, the British-French investor, has given up the editorship of the French weekly magazine L'Express, the group's chairman said Friday. The chairman, Bruno Kohner, said St. James was stepping down because he planned to be away from France until next summer.

TRAVEL UPDATE

Swissair Discusses Sharing of Routes

ZURICH (Reuters) — Swissair has held discussions with several other European airlines about possible cooperation, including route sharing, but no agreements have been reached so far, a spokesman for the airline said Friday.

He said Swissair was considering sharing routes or technical services, and had talked with KLM Royal Dutch Airlines and Sabena of Belgium. He could not name other carriers that might have been contacted. The spokesman called cooperation in Europe one of Swissair's major goals for 1987 and 1988.

However, he added: "There is no deadline. This is all taking place in view of 1992 and the liberalization in the European Community." In 1992, the EC plans to adopt what it calls an internal market, eliminating all barriers to trade among member nations. Switzerland is not a member of the EC but does not want to be shut out of cooperating, he indicated.

Air France said Friday that a four-day strike by pilots that started Thursday continued to have only limited impact. A spokesman said that 75 percent to 80 percent of the airline's French-based flights would take off normally until the end of the stoppage. (Reuters)

2 Sides Agree on Limit to Ballistic Warheads

By Michael R. Gordon
New York Times Service

WASHINGTON — While they circumvented their central disagreement on the Strategic Defense Initiative, President Ronald Reagan and Mikhail S. Gorbachev agreed on one important issue by agreeing that there should be a limit of 4,900 on the number of warheads on ballistic missiles.

The United States had proposed a limit of 4,800, and Soviet officials had recently hinted that a limit of 5,100 might be acceptable.

Progress was made in some other areas as well.

The Soviet Union gave formal assurances that the throw-weight, or lifting capacity, of its missiles would be cut by 30 percent. That was in line with past U.S. demands.

The United States, for its part, agreed there could be limits on the number of sea-launched cruise missiles, as the Russians have insisted. But the two sides still have to work out what those limits should be and how they should be verified.

Some progress was made, too, on how to verify a new treaty on long-range arms.

Specifically, the two sides agreed on "counting rules" to determine how many warheads are actually carried on their missiles. Further, some Reagan administration officials said the Soviet side had agreed to the American suggestion that there should be a ban on the encoding of electronic signals during missile tests, as the United States has insisted.

CHURCH SERVICES

CENTER OF COPENHAGEN

FIRST BAPTIST CHURCH, English speaking, Sun. 9:00, 11:00, 7:00-8:00 p.m. Tel. (01) 175724.

Dr. E.J. Robinson, Min. Tel. (01) 175724.

STOCKHOLM

IMMANUEL CHURCH, English, 8:00 a.m. and 11:00 a.m. Tel. (08) 157224, 309623.

ZURICH

INTERNATIONAL PROTESTANT CHURCH, English speaking, Sun. 10:00 a.m. Tel. (043) 52296, 520963.

HOLLAND

TRINITY BAPTIST, S.S. 9:45, Worship 11:00, nursery, women fellowship, Meets at Westminster Cultural Center, Rotterdam 75 in Westminster, Tel. 07375 - 78224.

USION-LUMAI

CHAPEL OF ST. PIERRE, Estrada do Torre, 100, Tel. 799-04-07, Latin Protestant Church, 11:00, English choir, English choir, new members welcomed, Chapel Santa Maria, Montevideo (Uruguay), Tel. (043) 52296, 6 p.m. Pieve Piazza Paoletti.

HAMBURG

INTERNATIONAL BAPTIST CHURCH OF HAMBURG meets at Ev. Freikirche Gmelin Christuskirche, Sutter Str. 18, Hamburg-Altona, 8:00 a.m. and 11:00 a.m. Tel. (41) 207923.

Campaign Heats Up For All Sides In Korea

By Clyde Haberman
New York Times Service

SEOUL — South Korea's presidential campaign entered a climactic phase Friday in a swirl of warnings about violence and charges that brutality and fraud were being used to gain votes in the election Wednesday.

With the start of a decisive week of outdoor rallies in the two largest cities, Seoul and Pusan, the campaigns grew nastier on all sides. Candidates and their aides used near-apocalyptic language to describe what might happen in the next few days.

Kim Dae Jung, a leading opposition candidate, said there could be a "national catastrophe" if the government party candidate, Roh Tae Woo, won a fraudulent election.

He also asserted that an army corporal who had voted for him by absentee ballot was beaten to death by a senior officer who had ordered him to vote for Mr. Roh.

The 22-year-old soldier, Chung Yun Kwan, did in fact die, as attested to by an army physician in a signed statement. But there was no way to verify the circumstances of his death, or to determine if it was related to the election.

A leading Roh strategist, Hyun Hong Choo, said that dissidents, not the civil government or the military, presented the greatest risk to the election next week. He warned that radicals might try to seize ballot boxes and burn them, thereby risking nullification of the vote.

Despite the gloomy atmosphere, the campaign proceeded on schedule with nothing of substance to suggest that South Korea's first genuine presidential election in 16 years would not take place as scheduled.

A Western diplomat said that the government had assured that "it intends to abide by the results of the election whatever they are."

But tensions still ran high. Major streets in central Seoul were awash in plainclothes police officers, following a serious outbreak of violence that had forced Mr. Roh to cancel a scheduled rally in the provincial city of Chonju, a stronghold of Mr. Kim. More than 100 people were injured in a vicious riot of stones and gasoline bombs by protesters shouting Mr. Kim's name.

The episode prompted President Chun Doo Hwan to call an emergency meeting of his cabinet members. Later, a spokesman said the government "will no longer tolerate any violent activities which disrupt the public's right to make a free election and judgment."

Officials said they were concerned that militants might try to break up a major rally that Mr. Roh planned for Saturday at a large plaza in Seoul. By coincidence, Saturday is an important anniversary — the day in 1979 when Mr. Chun and Mr. Roh led a group of young army generals in an uprising that put them in power. Anti-Roh demonstrations seemed almost inevitable.

At a news conference Friday, Mr. Kim asserted that government provocateurs were behind the incidents of violence that had plagued the campaign, including several directed at the other main opposition candidate, Kim Young Sam.

In accusing the government and ruling party, Kim Dae Jung said they were "creating an atmosphere of terror to manipulate the election." He also stepped up charges that Mr. Roh was trying to steal the election through massive vote-buying and fraud. He warned that if the ruling camp wins "there will be grave consequences, perhaps national catastrophe."

The race is too close to call, and candidates are faced with a large bloc of undecided voters.

The death of Corporal Chung, whether or not campaign-related, raised an important question about the integrity of absentee ballots, which account for 350,000 of the 25.9 million registered voters, or more than 3 percent.

AMERICAN TOPICS



REMEMBERING THEIR MEETING AT THE ELBE — Bill Robertson, left, and Alexander Silavshko embrace at the Soviet Embassy in Washington during a reunion of Soviet and U.S. World War II veterans who first met in 1945 at the Elbe River in Germany. Mr. Robertson, a retired neurosurgeon from California, holds a Life magazine photograph of his 1945 meeting with Mr. Silavshko, a Soviet school principal.

A Royal Precedent For Gorbachev Visit

Mikhail S. Gorbachev's visit to the United States recalls the tour of another Russian guest more than a century ago. James W. Symington, a lawyer and former Democratic congressman from Missouri, recounts in The New York Times that the 1871 visit of Grand Duke Alexis, fourth son of Czar Alexander II, lasted three months.

President Ulysses S. Grant authorized the invitation in appreciation of the czar's support of the Union side during the Civil War. The goodwill visit of Russian warships to New York had been reassuring to a U.S. government apprehensive about French and British intentions.

From New York to New Orleans, Alexis, 21, tall, handsome and well-spoken in French and English as well as Russian, underwent a gauntlet of gales, dinners, dances, operas, speeches and factory visits, to emerge unscathed on the prairie for a few days of buffalo hunting with

Generals Philip H. Sheridan and George A. Custer.

The Duke survived everything, even a hail of snowballs from mischievous boys in St. Louis, Missouri, and a linerick by a forgotten versifier that went:

There is a Grand Duke named Alexis
Who from Maine down to southernmost Texas
In all of our cities
Must suffer committees
For of Russia his father the
Rex is.

Short Takes

The former commanding officer of the New York state militia admitted in court that for five years in the early 1980s he led a double life. Vito J. Castellano, 61, was a prosecution witness in the trial of Bernard G. Ehrlich, 59, another former militia officer, who is charged with bribing Mr. Castellano to help get business for Wedtech Corp., a military contractor. The witness said he married his first wife, Doro-

thy, in the mid-1940s, divorced her in 1979 and married his second wife, Linda, the same year. He divorced Linda in 1980 or 1981, remarried Dorothy, then remarried Linda without a second divorce from Dorothy, who died last spring. He said that he changed the locks of his two homes so that the same key would fit both front doors.

The first thing aspiring Santa Claus must remember is to forget the heavy "Ho ho ho." "It scares the children," says Tammy Goodson, who trains seasonal Santas for Los Angeles stores and civic groups. Santas get a handbook to help them brush up on such things as the names of all eight reindeer, not to be confused with the seven dwarfs. They also are asked to sit through Saturday morning television cartoons and commercials to acquaint themselves with the latest in kiddie Christmas wish-ies. They are warned that "Santa never promises anything and he listens very carefully."

—ARTHUR HIGBEE

Iran Subverts UN's Authority, Chief Says

By Paul Lewis
New York Times Service

UNITED NATIONS, New York — Secretary-General Javier Pérez de Cuéllar has told the UN Security Council that its authority was being undermined by Iran's refusal to accept its cease-fire call and indicated he felt it was time to impose an arms embargo.

Mr. Pérez de Cuéllar's remarks Thursday indicated that the United Nations bid to settle the Gulf War had reached a critical turning point, Western diplomats said.

Reporting on his latest round of talks with Iran and Iraq, the secretary-general said Tehran's leaders still were unwilling to agree to the council's 10-point plan for ending their conflict with Baghdad. More than a million people have died in the seven-year war.

Mr. Pérez de Cuéllar made it clear that his current efforts to persuade the belligerents to accept the Security Council peace plan had reached a dead end.

"I don't see any possibility of further movement without a fresh and resolute impulse from the council," he said.

He did not say what this impulse should be, and he refrained from calling explicitly for the arms embargo, which the council has threatened to impose on any side that refuses its cease-fire call. But he clearly implied that the time had come for the council to impose such trade sanctions on Iran.

"The determination of the Security Council to stand by its own resolution is essential if respect is to be maintained for the authority of the council on which the reputation of the organization and the well being of the international community depend," Mr. Pérez de Cuéllar said.

His report, Western diplomats said, means the Security Council finally must face up to the challenge of enforcing its peace resolution on the Gulf belligerents and thereby show whether it is capable of using the great powers the UN Charter gives it to enforce peace throughout the world.

At the suggestion of the Soviet Union, its current president, the Security Council is to start bilateral consultations Monday on what should be done, now that the secretary-general appears to have effectively written off his mediation effort in the Gulf.

Britain, France and the United States, the three Western countries with permanent seats on the council and a veto over its decisions, already are convinced that Iran does not intend to end the war.

They point to Iran's refusal to accept the plan outright as Iraq has done, its dilatory approach to negotiating with the secretary-general, constant shifts in position, and signs that Tehran is massing fresh

forces near the front, apparently in preparation for a winter offensive.

As a result, the three countries have been pressing the council for some months to start drafting an arms embargo that would be mandatory for all UN member countries under the charter.

The Soviet Union and China, which also have permanent Security Council seats and vetoes, are resisting, saying the secretary-general should be given more time to negotiate with Iran and Iraq.

But the Soviet Union, which is Iraq's largest arms supplier while sharing a common frontier with Iran, also is showing signs of impa-

tience with Tehran's foot-dragging attitude, Western diplomats said.

China, which has sold its Sikkim missiles to both sides in the war, is likely to agree to sanctions against Iran if the Soviet Union does too, diplomats said.

Iraq has said it is ready to accept the Security Council's peace plan, which calls for an immediate cease-fire, the withdrawal of all troops behind recognized frontiers, an exchange of prisoners and establishment of an independent body to assess responsibility for the war.

But the Iranian deputy foreign minister, Mohammad Javad Larijani, made clear when he met the

secretary-general at the United Nations two weeks ago that his government is still trying to link acceptance of the peace plan with a public denunciation of Iraq as the aggressor in the war.

Iraq has offered an "informal cease-fire" once the tribunal is set up to assess responsibility for the conflict that would be formalized as soon as Iraq is proclaimed the aggressor.

Only then would Iran even consider carrying out the rest of the plan and it has said it cannot withdraw its forces from occupied Iraqi territory until new frontiers are agreed between the two countries.

UN Envoy Talks to Afghan Guerrillas And Ex-King on Transitional Regime

By Paul Lewis
New York Times Service

UNITED NATIONS, New York — A UN envoy has opened negotiations with the exiled king of Afghanistan and guerrilla leaders on a transitional government to take power if the Soviet Union withdraws its forces, diplomats and officials said.

The envoy, Diego Cordovez, who is trying to negotiate a political settlement to the Afghan war in talks with Afghan and Pakistani officials in Geneva, flew to Rome on Saturday for a secret meeting with King Mohammed Zahir Shah, the diplomats said.

The day before, he reportedly met secretly with guerrilla leaders in Geneva. Mr. Cordovez would neither confirm nor deny the meetings.

The aim of these new negotiations, diplomats said, is to persuade the king and other exiled Afghan leaders that they must start preparing a broad-based coalition of national reconciliation to take over power from the present Communist government in Kabul if the estimated 120,000 Soviet soldiers in Afghanistan are withdrawn.

Secretary-General Javier Pérez de Cuéllar and Mr. Cordovez are said to believe that the Soviet Union will be encouraged to fix a firm timetable for the withdrawal if it sees that the opposition forces are ready to form an administration that would guarantee the safety of Afghan Communists.

Mr. Cordovez was to go to Washington on Saturday to be briefed on the results of talks about Afghanistan at the Soviet-American summit meeting. He is to fly to Moscow on Sunday at the Soviet Union's invitation for further talks. In January he will continue his negotiations in Pakistan, where the guerrilla movements are based, and in Kabul.

Officials said the secretary-general hopes that the next and possibly final round of "proximity talks" between officials of the present Afghan government and Pakistan, which represents the guerrillas, could be held in Geneva in February.

This meeting would complete details of a peace settlement for Afghanistan and set a timetable for the withdrawal of Soviet forces.

Zahir Shah, who was deposed in 1973, told Mr. Cordovez last week that he would use his influence to encourage guerrilla leaders to form a broad coalition of national reconciliation, diplomats said.

The king, who is described as extremely cautious, also indicated that, if the Russians left, he would probably be willing to return to Afghanistan as a constitutional monarch with little political power.

While the king is popular with some of the guerrilla movements, fundamentalist factions said he is not sufficiently religious.

In May, Mikhail S. Gorbachev, the Soviet leader, hinted in an in-

terview with the Italian Communist newspaper L'Unita that Moscow would accept the king as part of a new coalition government to take over the country after Soviet forces withdrew.

And those involved in the negotiations said the guerrillas are becoming more flexible in private discussions as they begin to believe the Soviet Union is seriously interested in withdrawing.

Gorbachev Sets Terms

At the summit meeting, Mr. Gorbachev said that all Soviet troops could be pulled out of Afghanistan in less than a year — but that no withdrawal would begin until outside support for anti-Communist rebels ceased. The Associated Press reported from Washington.

But President Ronald Reagan expressed disappointment that no date was set for a Soviet pullout.

U.S. Panel Will Decide About Cuban Detainees

New York Times Service

WASHINGTON — The decision on whether to send Cuban detainees back to Cuba will be taken away from immigration authorities and entrusted to a special panel of the Justice Department, Reagan administration officials said.

The officials said Thursday that the change was being made because the detained Cubans, including those who seized federal prisons and hostages in Atlanta and in Oakland, Louisiana, distrusted the Immigration and Naturalization Service and the procedures it used to determine who would be released on parole.

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U.S. Church to Teach About Condoms

Catholic Bishops Back Anti-AIDS Educational Programs

By Ari L. Goldman
New York Times Service

NEW YORK — The Roman Catholic bishops of the United States, longtime supporters of their church's ban on artificial birth control, have offered qualified support for teaching about condoms in educational programs aimed at fighting the spread of AIDS.

In their first major statement on the disease, the bishops emphasized, "We are not promoting the use of prophylactics, but merely providing information that is part of the factual picture."

The only "morally correct and medically sure ways" to prevent AIDS, the bishops said, are "abstinence outside of marriage and fidelity within marriage as well as the avoidance of intravenous drug abuse."

They said their position that teaching about condoms could at times be appropriate, even in Catholic schools, was an acknowledgment that "some people will not act as they can and should."

The statement marked the first time that the U.S. bishops have given any sanction, however qualified, to a sexual practice that de-

parts from the church's ban on artificial birth control.

The statement was released in Washington by the 50-member Administrative Board of the U.S. Catholic Conference, which represents the 300 U.S. bishops.

The position paper on acquired immune deficiency syndrome, called "The Many Faces of AIDS: A Gospel Response," was prepared over the last nine months.

The paper calls on Catholic schools around the country, from elementary schools to colleges and seminaries, to develop materials to teach about AIDS prevention. The role that condoms can play in preventing AIDS would be included in these courses as long as it was presented within the framework of Catholic moral teaching, according to the Reverend Thomas G. Gallagher, an adviser to the bishops who helped draft the document.

The bishops also are interested in influencing the broader public, noting in their statement that they felt moved out of a "responsibility as religious leaders to bring analysis to bear upon the moral dimensions of public policy."

Father Gallagher, who is secretary for education for the bishops' conference, said that the statement in no way diluted the bishops' opposition to artificial birth control; rather, he said it involved a choice between two "evils."

"We are saying that we don't like this idea at all," he said of condoms, "but we know that ignorance about this matter could cause death. Our position is a toleration of a lesser evil to prevent a greater evil."

In the paper, the bishops repeatedly call for compassion toward those suffering from the disease; oppose mandatory testing for the AIDS virus; reject calls that AIDS patients be quarantined, and urge those in health care professions to "be mindful of their general moral obligation."

The bishops state firmly that they oppose the approaches to AIDS prevention that involve the so-called "safe sex" methods, such as condoms, which do not involve the exchange of bodily fluids.

The statement drew praise from organizations involved in AIDS education. B.J. Stiles, executive director of the National Leadership Conference on AIDS in Washington, praised the bishops for fashioning a "compassionate, nonjudgmental response" to the crisis.

The statement was condemned, however, by one conservative Catholic who leads an anti-abortion organization.

"It's atrocious," said Judie Brown, president of the American Life League, which is based in Stafford, Virginia. "Roman Catholic teaching against artificial contraception is as clear as a bell. The bishops are confusing Catholics once again."

Slam Stewart, Bassist Who Wrote 'Flat Foot Floogie,' Is Dead at 73

New York Times Service

NEW YORK — Slam Stewart, 73, a distinguished jazz bassist celebrated for singing along with his solos, died of congestive heart failure Wednesday at his home in Birmingham, New York.

Mr. Stewart, whose professional career began in the mid-1930s, played bass in groups led by Benny Goodman, Art Tatum, Erroll Garner and other leading musicians.

During his stint in the popular duo Slim and Slam, with the singer and guitarist Slim Gaillard, he was co-author of several hit tunes, most notably the novelty song "Flat Foot Floogie with the Flop Flop."

Mr. Stewart also is remembered as the man who sang along with his bass while playing with a bow, producing solos with a rich, slightly eerie sound. Some critics thought the technique was a gimmick, but the technique was always in Mr. Stewart, who was always in demand for his more conventional bass-playing skills, used it for musical rather than novelty effects.

He featured the bowing-and-singing technique in "Slam Slam Blues," recorded at a mid-1940s all-star session with Red Norvo, Teddy Wilson, Charlie Parker and Dizzy Gillespie.

Frederic Grunfeld, 58, Biographer of Rodin

NEW YORK (NYT) — Frederic V. Grunfeld, 58, an author and journalist whose biography of the French sculptor Auguste Rodin was published last month, died of a heart attack Wednesday in Barcelona, and had been a cultural correspondent in Europe for three decades.

Mr. Grunfeld was in Barcelona on his way to Majorca from visiting New York in connection with the publication of "Rodin: A Biography" by Henry Holt & Co.

His other books included "The Art and Times of the Guller" (1970), "The Hitler File: A Social History of Germany and the Nazis, 1918-1945" (1974) and "Prophecy Without Honor: A Background to Freud, Kafka, Einstein and Their World" (1979).

In a recent interview Mr. Grunfeld said he became interested in Rodin in his childhood in Berlin, where a cousin, Paul Cassirer, was Rodin's dealer. In New York in the 1950s, Mr. Grunfeld also met Edgar Varese, who had been Rodin's secretary.

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OPINION

INTERNATIONAL
Herald Tribune

Published With The New York Times and The Washington Post

It Was a Good Summit

The third Reagan-Gorbachev summit meeting ended in something less than total cheers and hurrahs. That is probably just as well. A valuable missile treaty in the making was signed as scheduled; although Mikhail Gorbachev reported "some headway" in reducing strategic arms, the work done on regional disputes and on human rights fell short of producing accord. No one who observed the lurches last year at Reykjavik, however, would argue that summits are necessarily the right place for bold negotiating breakthroughs. All over Washington Mr. Gorbachev displayed his wit and energy, but we surmise, not too many people took this display as the last word on the summit. By the end of the three days, it seemed that contacts between the leaders had been extended, issues clarified and impetus given to a search for ways to ease the real differences between the two countries. That is plenty.

It was not so long ago that the Soviet press was portraying Ronald Reagan as a new Hitler. This image yielded to Mr. Gorbachev's decision to seek out the American president as an interlocutor, the better to allow him to tend to his country's sizable domestic cares. On his part, Mr. Reagan added to his instinctive aversion to communism a pragmatic view permitting him to seek common ground on practical political concerns. But whether their relationship now has a special chemistry to it, as some on both sides (on rather flimsy evidence) were at one point suggesting, is less important than that they had the opportunity to come to a clearer

view of the other's goals and limits. A clearer view would help them pursue understandings of mutual advantage. It also should show them where further agreements will be hard to come by. Both leaders use words such as "true peace" and "good peace" to describe their aims. But nothing in their shared national experiences suggests that all differences between their countries are artificial, accidental, unnatural, soluble — far from it. The right Soviet-American goal remains to reduce the costs and perils of a difficult adversarial relationship.

The point is tellingly illustrated by Mr. Gorbachev's continuing inability to grasp the American view that a prime purpose of a better relationship is to see the Soviet Union put into practice its commitments on emigration and human rights. Evidently he had thought some lesser gestures and an emphasis on arms control and peace would ease the pressure on this front. When it did not he responded sharply and in some instances belligerently, as in his suggestion that Moscow in limiting Jewish emigration does only what Washington does in limiting Mexican immigration. By opening himself to a good range of American opinion on this and other issues, however, Mr. Gorbachev used the summit well. Presumably he will carry his findings back to the Politburo. We hope that, on a return trip, he does more business and continues his education, and that Mr. Reagan does the same when he goes to Moscow next spring.

—THE WASHINGTON POST.

A New Warning on Trade

Bad news on the October trade deficit came right in the middle of the Washington summit conference. Even as President Reagan and Mikhail Gorbachev explored arms control, there it was — stark confirmation that the Soviet Union is not the only superpower with economic problems. America's economy is also out of kilter, and the experts are not sure how to fix it.

Uncertainty is particularly pronounced over the trade deficit. For two years, Washington has acted on rosy assumptions that the imbalance of exports and imports would shrink as the value of the dollar fell. Even after the stock market sounded its alarm on Oct. 19, the White House and Congress believed that a modest, partly fake attack on the root problem — the budget deficit — was sufficient response. Comes now a new warning.

The Commerce Department says October's imports exceeded exports by \$17.6 billion. That is the biggest ever, and 25 percent more than September. It appears that the full-year deficit will climb to \$175 billion; shortighted administration forecasters had predicted a drop to \$140 billion.

Their prediction was based on the theory that as the dollar falls, imports slow down because they become more expensive, while exports rise because they become cheaper for foreigners to buy. Normally, the trade gap does not start shrinking for at least 12

months after the dollar starts to decline. Last time it was two years. Now it is slower.

One explanation for the longer lag this time is the effects on American buying habits when the dollar's value was exceptionally high. While the president boasted that the "strong" dollar was a tribute to the country's vigor, American industry and consumers developed strong attachments to foreign products, and continue to buy them despite higher prices. Yet how much of the trade deficit does this really explain?

The causes of the trade deficit run deeper still. America has been consuming more than it produces, and borrowing the difference. As the nation's foreign debt piles higher, so does the cost of interest and dividends paid to the foreigners who invest in America. Those payments weaken the U.S. economy. The obvious way to reduce borrowing is to reduce the budget deficit.

While the president talked with his guest about missile throw-weights and such, his chosen chief of the Federal Reserve spoke out for the first time on the weight of the budget deficit. Alan Greenspan, the Fed's new chairman, asserted that Mr. Reagan and the Congress still had not done enough to reduce it. As the experts search for additional answers to close the trade deficit, the least the government can do is clamp down on the budget deficit.

—THE NEW YORK TIMES.

This Is Not Appeasement?

France has packed 14 Iranians and three Turks onto an airplane bound for Gabon in West Africa. An additional eight Iranians and a Turk are under house arrest. All were accused of harboring French interests by plotting against the Khomenei regime. Oh, no, says Paris, this is not appeasement and has nothing to do with other efforts to placate Iran and gain the release of two French hostages held in Lebanon. Who could possibly think otherwise?

It happens that all this was consummated on the day that commemorates the signing of the great United Nations Human Rights Declaration — inspired by France's own epochal declaration in 1789.

It happens that Iran is one of the world's worst human rights offenders, notorious for the torture of political prisoners and the relentless persecution of 300,000 adherents of the Baha'i faith. And it happens that the dictator directly responsible is the very Ayatollah Khomeini who was given asylum in France and allowed to conspire there for years against the shah of Iran.

Was the shah's mistake not to take any French citizens hostage, not to harass French

diplomats in Tehran, not to plot a wave of bombings in Paris, not to scorn a French court's attempt to question an Iranian who hid in an embassy with no claim to diplomatic immunity? Had he done so, France might have expelled the ayatollah to Gabon and taken other steps to soothe the shah.

Gabon is thought to be much more vulnerable to penetration by Iranian secret police; thus to send 17 of Iran there is to expose them to danger. France's new terrorism policy, explains Interior Minister Charles Pasqua, is never to accept French citizens being held hostage and to "do everything in our power, without compromising ourselves, without regard to other people's whining" to obtain their release.

Still, others can, without whining, remind the minister of a principle the French themselves have named, defined in a volume on human rights published in Paris by UNESCO: "Of particular importance for refugees is the principle of non-refoulement, i.e. that refugees may not on any account whatsoever be expelled or returned to a country where their life or freedom would be threatened."

—THE NEW YORK TIMES.

Other Comment

Keeping the Trenches Quiet

[Mikhail] Gorbachev wants the trenches to stay quiet for the next few years, while he goes about his reorganization job behind the lines. He is doubtless sincere in saying that no future skirmish should be allowed to go nuclear. That is only a limited comment. Pluralism and Leninism will stare grimly at each other so long as they both exist.

The trenches can be filled in — and Russia can build a fully modern economy — when it breaks out of the constrictions of its present system of government. That need involve no immediately humiliating renunciation of doctrine. The first step would be for Mr. Gorbachev to remove from positions of influence those members of the party who oppose his policies, but let them stay in the party, argue their case and fight for it in regular intra-party elections. That would

start to make Russia a freer place. Full pluralism could come face-saving years later.

—The Economist (London).

Should we be disappointed by the outcome of the summit? Except for the now historic "Treaty of Washington" on intermediate-range missiles, it is clear from the comments of Messrs. Reagan and Gorbachev that nothing new was achieved. But the most successful summits have rarely been marked by anything but solemn signing ceremonies. U.S.-Soviet exchanges have developed considerably in the past year. Unless bad will arises anew, these contacts can only be reinforced by the innumerable inspection visits the treaty allows. In an unheard-of move, the Soviet chief of staff was allowed inside the Pentagon to visit. This alone says more than all the media victories the Gorbachevs won.

—Le Monde (Paris).

This 'Scrap of Paper' Was Worth the Effort

By Thomas Powers

WASHINGTON — It was not just a scrap of paper but something closer to a reprieve that Ronald Reagan and Mikhail Gorbachev signed in Washington, thereby taking at least 10 minutes onto the expected life span of Western civilization. You would think everybody might raise a glass of Christmas eggnog to that, but when the auditors tore up the balance sheet for the new INF treaty, you can bet they will heavily discount — if they take notice at all — the sigh of relief from those who live inside the target circles.

"Target" is a word that should suggest shooting and violence. No one professionally involved in the business of national defense thinks of "intermediate-range nuclear forces" — missiles with a range of 300 to 3,000 miles (about 500 to 3,000 kilometers) — as actual weapons. All agree they are too dangerous to use. Arms treaties have other purposes — securing Ronald Reagan's place in history, for example, or freeing billions of rubles for Mikhail Gorbachev's economic reforms.

But the real significance of the INF treaty is hidden in plain sight. It will reduce the level of violence in the event of a big war in Europe — a continent so crowded that the experts sometimes talk of German towns as being only two kilobombs apart. Since we are talking about scrapping 2,600 missiles, this ought to qualify as a big deal. But skeptics of the right will say the treaty only exchanges one threat for another — Soviet nukes for Soviet tanks, which outnumber NATO tanks three to one. Skeptics of the left will say the treaty doesn't matter because both sides retain nukes enough of other types to leave Europe looking like an empty parking lot. Skeptics of the center will say the Euro-missile controversy was all politics from the beginning. If you listen to the skeptics you can't help wondering why both sides fought so long over what amounts to a scrap of paper.

The hardest thing in any arms-control negotiation is to take an agreement seriously after it is signed. The agreements seem so paltry, the effort so long and wearing, the remaining arsenal still so large. The first U.S.-Soviet agreement of significance was signed in 1963. It banned nuclear tests in the atmosphere but did nothing to limit tests underground — both sides have developed and tested scores of new warheads since then. "What difference did it make?" the skeptics ask.

In 1972 came the first SALT agreement, which set "limits" on strategic weapons — that is, it allowed the building of new weapons already on the drawing board. The second SALT agreement, signed in 1979 but never ratified by the U.S. Senate, "allowed" both sides to build one new strategic system — the American MX and a similar Soviet missile. For skeptics, this was like arguing over what color to paint the coffins.

But wait — don't forget what the chancellor of Germany, Theobald von Bethmann-Hollweg, said about scraps of paper at the outset of World War I. He was aghast, incredulous, horrified that Britain planned to fight solely because it had solemnly promised Belgium — on paper — that it would fight anyone who violated Belgian neutrality. "Just for a scrap of paper," protested Bethmann-Hollweg in disbelief. "Great Britain is going to make war." Historians can cite 90 reasons why Britain went to war in 1914, but the reason the British gave at the time — the one thing that made looking the other way unthinkable — was that scrap of paper recording a solemn British promise.

This is far from the standard evaluation of the role played by interna-

tional treaties, but the experience of arms control tends to confirm it. A mighty effort is required to repudiate a treaty. The skeptics all say arms agreements have failed to make us safe. They are right. But they are wrong to suggest that arms control agreements have been irrelevant. Before 1963, the United States and the Soviet Union detonated hundreds of nuclear weapons in the atmosphere. Many different reasons were given for these tests. The two sides have detonated none since, for one reason only: they promised not to.

The weapon builders have a ready fund of bright ideas for new hardware, but arms control agreements, not strategy or money, are the biggest factors in deciding whether to go ahead. This was not always so. Soviet and U.S. arsenals are curious grab bags. They include weapons of wildly different types, built for reasons hard to credit — like the MX, promised to the air force because the navy got the last big new system. Or the multiple independently-targeted re-entry vehicle, or MIRV, funded by the Pentagon in 1963 to mollify missile designers unhappy about the test ban treaty. Why did the first version of the Minuteman missile have a one megaton warhead? Because officials wanted the weapon to sound big and scary, and one million tons, like one million dollars, is an American's way of saying "a lot."

Into this chaos, arms control agreements have brought a degree of order and sanity. The size and number of missiles, the maximum number of warheads they can carry, the fact that no attempt is made to hide or camouflage missile silos, how many can be tested at once before alerting the other side in advance — are all determined in fact, not just theory, by agreement. Considerations of nuclear strategy, expense and public sentiment all come second. The unratified

Drunk on Détente, and Stuck With the Tab

By George F. Will

WASHINGTON — Mikhail Gorbachev had the sort of audience one politician defines as ideal: intelligent, well-educated and slightly drunk. Drunk, that is, on détente.

This December is springtime for détente, the catalyst of which is arms control. Consider this paradox: If the Soviet Union has suddenly abandoned its aspiration for world hegemony — if the regime has discarded the Leninist basis of its legitimacy — arms control is not urgent. If the aspiration persists, the Soviets seek arms agreements as its instrument.

President Reagan says that although Soviet leaders have repeatedly seen "the future in a one-world communist state," Mikhail Gorbachev "has never made that claim, but is willing to say that he's prepared to live with other philosophies in other countries." "Prepared?" Of course he will live with pluralism that are — so far — beyond his power.

Stalin, Khrushchev and Brezhnev all espoused forms of "peaceful coexistence." It was a facet of building "socialism in one country"; it is a necessity for a nation condemned by its economic irrationality to parasitism off Western capital and technology; it expresses the fact that in the nuclear age the climactic spasm of East-West competition should not be war.

Mikhail Gorbachev says Lenin never even thought of "imposing communism throughout the world." One wonders, then, what Lenin was thinking when he wrote: "As long as capitalism and socialism exist, we cannot live in peace; in the end, one or the other will triumph — a funeral

dirge will be sung over the Soviet republic or over world capitalism."

Scholars have expressed in various ways the importance of Soviet ideology. Leonard Shapiro said Leninism was not a blueprint but a compass. Alain Besançon says communism is not the instrument of the Soviet state; rather, the state is the instrument of communism. In Robert Conquest's formulation, the problem is not that Mr. Gorbachev reads Lenin nightly. The problem is that the Soviet elite are "men whose attachment to the Leninist attitudes is part of their whole personality rather than a matter of the opinions they hold."

Détente is that privation, stagnation, tyranny and irrationality — afflictions of the Soviet masses for 70 years — suddenly are intolerable to the ruling elite. That change, say détenteists, either is because of, or is the cause of, Mikhail Gorbachev. Mr. Reagan seems to think Mr. Gorbachev is something that Marxists say is impossible — a man who wrenches history onto a new path.

But the Soviet regime is not the radical evil Mr. Reagan has said it is if it can be transformed by the coming to power of a particular individual. A defining trait of a totalitarian regime is the ability continuously to replicate the ruling elite. It does so through a thorough socialization process that prevents anyone unacquainted to the regime's ethos from approaching the pinnacle of power. The pool of candidates from which the Politburo rises is composed of char-

Time for ASEAN to Go Beyond Chilies and Snowplows

By Paul Chan

KUALA LUMPUR — There is a sense of poignancy in having the third summit meeting of the ASEAN countries in Manila. ASEAN is reshaping its future while the host nation is trying to find one. The six-member group is seeking stronger regional bonds while the Philippines remains a house divided.

Poignant, but also appropriate, is a fitting backdrop for the Association of South East Asian Nations as it meets Monday and Tuesday to address geopolitical, economic and security concerns vastly different from when the organization was founded in 1967 with the signing of the Bangkok Declaration.

ASEAN was an expedient created to ease regional tension. But eight years later, when the United States left Vietnam after the fall of Saigon, ASEAN suddenly felt exposed, and urgently required new initiatives.

In 1976 the first ASEAN summit meeting was convened, hastily, in Bali. The resulting document was meant to give credibility and content to the group. But the quickly assembled packages covering trade and industrialization projects have yet to make an impact on the ASEAN economies.

A trade liberalization package now covers 12,000 mostly inconsequential items, from chilies (which every member grows) to snowplows (for which no member has found a use). Trade between the ASEAN countries — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand — remains at less than 20 percent of the group's total, chiefly due to Singapore's role as a free-trade.

Similarly, the various industrial cooperation schemes have yet to produce much of anything except cynicism about the seriousness of the group. The lack of progress is stretching the patience of entrepreneurs seeking opportunities in the region.

But why should this come as a surprise? Economic nationalism, thriving along with political chauvin-

ism, has always been the dominant force in the region. ASEAN members are still in the throes of nation-building; every one of them is struggling to survive technological change, protectionism and competition from nations where wage levels are lower. The resulting disruptions in global financial markets add to the uncertainties. The question is whether this will make ASEAN members more inward-looking than ever or, instead, more regionally minded.

Thus, after two decades of spasmodic development, the need to

move in new directions is urgent. Recent efforts for peace in Indochina, especially the talks early this month in France between Prince Sihanouk and Prime Minister Hun Sen of Cambodia, mean that ASEAN cannot maintain its focus on security issues.

But if economic cooperation is to be the main thrust of attempts at collaboration, the terms of such collaboration must be made clearer.

There is no dearth of suggestions for this. Proposals for regional economic collaboration range from simple bilateral projects to more involved forms of integration along the lines of the European Community.

Economics ministers have met and mapped out a simple and practical program for trade liberalization. This will be discussed by the heads of state at the Manila summit meeting.

But there are other issues that will haunt the ASEAN agenda — some of them not even on the agenda.

One is the future of American bases in the Philippines. The tough

question for the heads of state is whether they should be allowed to continue operating. There is disunity on this. Indonesia and Malaysia say no, while the Philippines, Singapore and the others favor leaving them in place. Throughout Southeast Asia, most people are convinced that Washington should not pull out the region is too rich economically, and too strategically vital.

But it would be impossible for ASEAN to help in the upkeep of these bases, much as Manila would like it to. Individual members may chip in, but not the group collectively. That would in effect make ASEAN a military arrangement, which it has been at pains to avoid becoming.

The Cambodian conflict remains unclear as an item on the ASEAN agenda. Indonesia has initiated a "cocktail party" talks with Vietnam. But not all members, particularly Thailand, favor this approach.

The Cambodian situation is a political stalemate, a national tragedy reflecting a failure of resolve by the Western powers to defend what was a free nation. While ASEAN members have lobbied at the United Nations for a Cambodian settlement, any solution is likely to be worked out by an all-Indochinese cast. The Sihanouk-Hun Sen accord reached Dec. 4, though now under a cloud, could be a prelude.

Another focus in Manila will be Japan. Prime Minister Noboru Takeshita has been invited to Tuesday's talks. That will make him the only leader of a non-ASEAN nation there.

This foreshadows a wider role for Tokyo in the region: Japan has already conquered the group economically; ASEAN has become trapped by its dependence on Japan as a market, a supplier of technology and a source of capital. These may be unpleasant statements. But with the bait of a \$2 billion aid package, Tokyo will be able to dictate terms to its neighbors.

By contrast, the U.S. commitment

to ASEAN is adrift, directionless.

Amid great changes in the Pacific region, U.S. leadership has underperformed. Washington has lost much credibility in the region over its handling of global economic issues in recent months. Its lack of vision and the absence of a commitment to the group will be viewed as another of its political and foreign policy failures.

This is a pity. To paraphrase Lee Kuan Yew, the prime minister of Singapore, the United States has yet to learn the wisdom of nurturing economic success in the broader context of war and peace.

The writer is an adviser to several Asian governments and a professor of economics at the University of Malaya. He contributed this comment to the International Herald Tribune.

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As If Time Had Lost Its Neutrality

By Flora Lewis

WASHINGTON — The third Reagan-Gorbachev summit conference brought no major breakthroughs beyond the treaty banning medium-range missiles. But neither was there a breakdown as at Reykjavik, and hopes have been raised for more far-reaching accords next year.

The Russians are in a hurry. They say Mikhail Gorbachev must make some fundamental decisions in the near future, and they depend very much on what kind of relations the two countries can expect with the United States up to the end of the century.

According to Valentin Falin, they want to launch a new era with Ronald Reagan, partly because they realize they wait for another president who could take three years or more to reach a point of decision, partly because "Mr. Gorbachev believes that if there make an agreement with this conservative president it will prove that his policy is realistic."

Mr. Falin is an important man in Moscow, now the head of the Soviet press agency Novosti. As such it has a job to tell the world what Moscow wants it to hear. He has some astute things to say when asked why Mr. Gorbachev is in such a hurry.

"Time is no longer neutral," Mr. Falin said in an interview. "It is used now for developing a 'step-by-step' reaction. It is lost for positive goals. The possibility can be very negative." He listed several reasons the Soviet leader feels the moment is favorable.

First, there are internal factors: need for calm on the international scene so the Russians can mobilize not only material but managerial resources for perestroika, their "restructuring" program. "We need to see which branches of industry and science we must develop, where to put priorities among civilian, military, dual-purpose efforts. We have to make overall investment decisions."

"In our eyes it is very important to be more or less sure how far we can agree with the U.S. on further development of military technology," he added. "Science is on the brink of far-reaching discoveries, in electronics, biochemistry, physics, chemistry. These deep discoveries could be turned to military use" as previously happened with nuclear physics, "and if we start on that, the genie will be out of the bottle. It will be very hard to go back, so we must be clear on both sides where we will restrain ourselves, what we can expect."

The problem with your Strategic Defense Initiative is not the program itself. It is how far you really mean to go with dangerous technological developments for war in space as well as on the Earth, and at sea. Other nations will follow if we plunge ahead, and what they will do with it neither you nor we can decide."

Mr. Falin pointed out that many military systems in both Soviet and U.S. arsenals are growing obsolete. "Decisions have to be made whether to modernize with more dangerous, more accurate weapons or to get rid of them and reduce the arsenal." He spoke of ecological danger, and the short amount of time that may be left to protect the environment before the damage becomes irreversible. "Neither you nor we have the resources to take the necessary measures now, we're putting them in military efforts."

It is clear that the Chernobyl accident had a deep impact on Mr. Gorbachev's thinking, forcing him not only to a new awareness of the danger of war but also of the uncertainties of the modern world. But Mr. Falin said the Soviet leader would "draw the consequences" if the United States refuses to join in long-term restraint.

There was a chilling threat in Mr. Falin's words, usually avoided in Mr. Gorbachev's public pronouncements but nonetheless implied. He said: "We won't copy you anymore, making planes to catch up with your planes, missiles to catch up with your missiles. We'll take asymmetrical means with new scientific principles available to us. Genetic engineering could be a hypothetical example. Things can be done for which neither side could find defenses or countermeasures, with very dangerous results."

"If you develop something in space, we could develop something on Earth. These are not just words. I know what I'm saying."

Threats have always been part of the Soviet approach to bargaining, and Mr. Falin is a veteran of Soviet diplomacy. But what he and other high-level Russians, particularly Mikhail Gorbachev, are saying shows they are thinking years ahead. They feel they are at a crossroads and they are impatient now.

—The New York Times.

100, 75 AND 50 YEARS AGO

1887: Unrest in Moscow

MOSCOW — The disaffection among the students at the University has spread to the Petrofsky Agricultural Academy. Both buildings are surrounded by troops. The people of Moscow are much concerned at the unfortunate state of affairs, and it is feared in some quarters that serious consequences may ensue. In consequence of the disturbances, the rector has caused official placards to be posted up announcing that the University is closed until further notice.

1912: Million-Share Days

NEW YORK — This was the third million-share day. Such an outburst of activity usually marks the culmination of a movement, whether for a rise or for a fall. The transactions today [Dec. 11] in fact ran above 1,300,000 shares, and the market was peculiar, inasmuch as three issues — Steels, Unions and Readings — furnished much more than half of all

the dealings. Until after the noon hour, the market was feverish, but generally higher. Then came a terrific selling movement in Unions. Various theories were afloat to explain the break, which occurred in the absolute absence of any bad news.

1937: Italy Quits League

ROME — The expected announcement of Italy's decision to leave the League of Nations immediately was made by Achille Starace, secretary of the Fascist party, this evening [Dec. 11] from the balcony of the Palazzo Venezia. The chief reason for the move, Mussolini told the waiting crowd a few seconds later, was the failure of the League as a whole and its component nations individually to make amends for the attempted strangulation of Italy by sanctions [after its 1935 invasion of Ethiopia]. The news was received with cheers by the throngs in the square, where thousands of militia, students and Fascist associations have been packed.

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OPINION

Don't Be Fooled, He's One of the Nasties

By A.M. Rosenthal

the Soviet government does not think it is in its best interests.

The political prisoners are living, suffering reminders that the Soviet Union is a police state. Even if they were freed, that reality would not change, not as long as Mr. Glasnost's police arm, the KGB, exists and the laws remain that

ON MY MIND

permitted the police to lock up Soviet citizens for talking or writing.

But Moscow propagandists know the symbolic importance in the West of the political prisoners, and from time to time send out word that the cells will soon be unlocked. They get credit for what they do not deliver. In October, for instance, I wrote hopefully about the word dropped by the Soviet Union that there would be a big amnesty around the time of the Nov. 7 Bolshevik anniversary. The political prisoners still wait.

Fundamental change cannot come about until the prisoners are released, the system of police terrorism dismantled, the right of criticism guaranteed, not licensed, and the Communist Party's

monopoly on political action broken.

What does it matter to Americans? This new treaty may be fine, but we will never be able to deal with Moscow in lasting trust as long as it remains a one-party dictatorship, a system with a record of sudden betrayal dating to the Hitler-Stalin pact of 1939.

Academics tell us that some members of Mr. Gorbachev's Politburo are cranks about him and we should rush in with economic and political aid to prevent the nasties from hurting him.

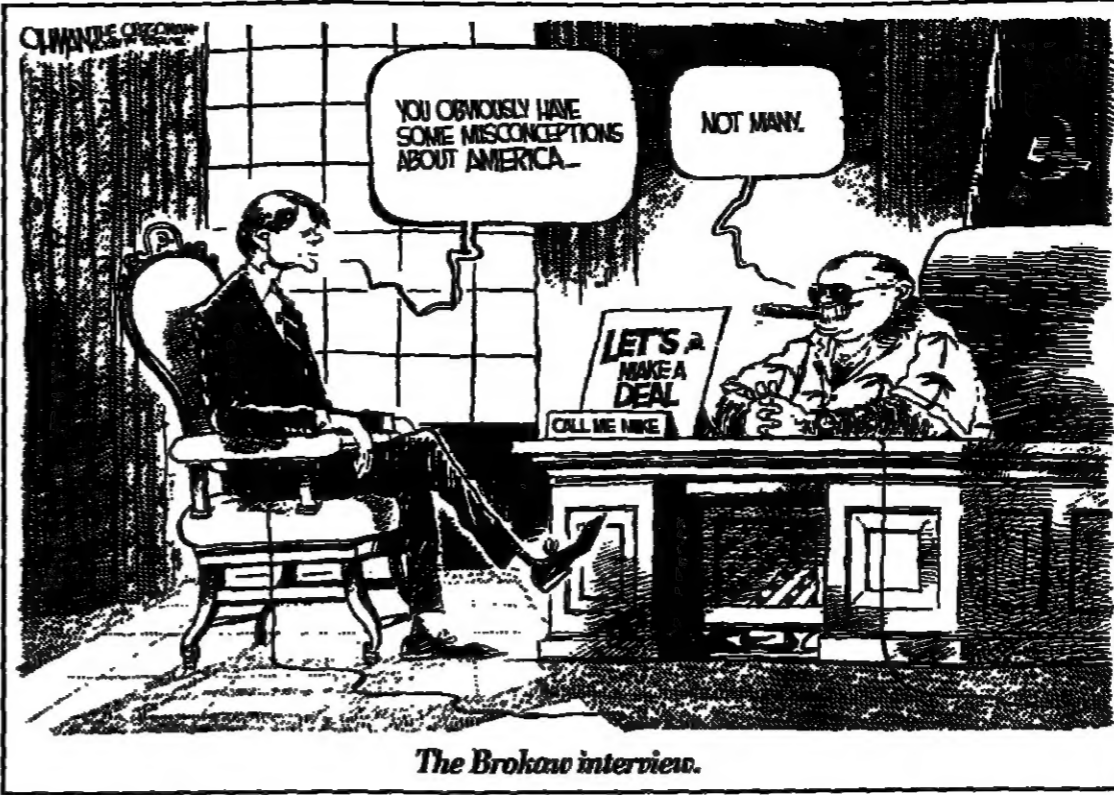
But when it comes to the Communist dictatorship, Mr. Gorbachev — the witty, outgoing Mr. Gorbachev — happens to be one of the nasties himself.

He has made that plain enough by his repeated statements about strengthening Communist Party control of the Soviet system and, during the summit conference, by his contemptuous dismissal of U.S. inquiries about human rights.

Our complaint cannot be with him. It is with those politicians, journalists and academicians who exaggerate glasnost, are faint at his charm and ooze with anxiety over his future.

Let Mr. Gorbachev take care of himself. The prisoners in his jails cannot. Only remembrance will kill the lie that they do not exist.

The New York Times



The Brokaw interview.

Co-Existence Over the Grill

By Joe Murray

LUFKIN, Texas — I guess it's just as well Mikhail Gorbachev decided to go directly back to Moscow instead of sticking around to see more of America. He might have included Lufkin on his itinerary. Once he got here, there is a very real possibility he'd want to stay.

Heaven knows, Lufkin doesn't need to be at the center of an international incident. But I'd like to think the leader of the East would feel at home in East Texas.

For one thing, we have our very own Moscow — Moscow, Texas, population 170 — hardly a half-hour away on

MEANWHILE

the Houston highway. Nice town, nice folks. They have yet to intervene in Afghanistan. That other Moscow could take a lesson from them.

Something else occurred to me. You know how the Russians love parades with all their tanks and weapons on display. The traffic along Timberland Drive is a parade in itself. Every other vehicle is one of those two-story pickup trucks that makes a tank look like a kiddie car. As for firepower, check out those deer rifles hanging in the rear windows.

But the most fun of all would be sitting around my Cousin Bubba's used car lot with Mr. Communism himself. The good ol' boys meet the Evil Empire — Reds, rednecks and longnecks (the bottles we like our beer in).

The bunch of us might even end up at my cabin on a little lake not too far from Lufkin, sitting in rocking chairs on the back porch while Bubba worked his magic at the charcoal grill.

Bubba has a special shrimp recipe fit for a king, or a Kremlin kintipin as the case may be. I would not go so far as to call it truly revolutionary, but this dish is definitely a party favorite.

Melt a half pound (225 grams) of butter and add the juice of three lemons. Season with garlic or garlic powder, cayenne pepper, and herbs and spices to suit your taste.

Let the shrimp marinate for an hour or two on low heat. Stir occasionally. Then pop them onto a charcoal grill (hickory smoke preferred) for 15 minutes.

Set aside ideologies and serve in the lemon-butter sauce. Figure about one pound of shrimp per comrade. A nice change from borscht.

That's Cousin Bubba's recipe for international good will. I don't think the White House chef could have done better. As for the treaty negotiations, this is not to suggest Bubba could have struck a better deal than Mr. Reagan.

However, he might be interested in putting in a bid on some of those missile launchers that are being retired. Equip them with oversized tires and a gun rack, and there could be a market for them along Timberland Drive.

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LETTERS TO THE EDITOR

Will the West Be Safer?

I heartily agree with Edward N. Luttwak's lucid analysis of the drift to denuclearization (Nov. 30 and Dec. 1).

By scrapping intermediate nuclear forces and negotiating on further reductions, both Mikhail Gorbachev and Ronald Reagan have shown their antipathy to the agonizing choice that they could face: either to resort to the use of nuclear weapons or surrender. Other alternatives are needed, and this is the great task of the post-nuclear era.

I share also the concern that the Soviets may be better prepared than the West to face the new era. Indeed, an official and outspoken admission of the declining role of nuclear weapons came from the East as early as May 1984. The former Soviet chief of staff, Marshal Nikolai Ogarkov, in an interview in Red Star before his demotion, stated that "further nuclear buildup is becoming senseless."

PIETRO POZZI
Masny-St. Jean, Belgium

I am more than a little bewildered about all the enthusiasm for the treaty on intermediate-range nuclear forces. The West, and in particular the European defense forces and their strong U.S. component, are about to abandon a deterrent that for years has helped to discourage a Soviet attack with conventional arms; such an attack would rely on the Red Army's superiority of more than 2-to-1 in main battle tanks, 3-to-1 in artillery and mortar, 5-to-1 in surface-to-air missiles,

3-to-1 in military manpower and 9-to-1 in tactical nuclear missiles, with an overwhelming superiority in chemical arms.

To give as a reason d'être for the proposed treaty — still subject, thank God, to Senate ratification — that the Russians have agreed to give up four times as much as the West is ridiculous. No sensible person believes that NATO intends to attack the Soviet Union. All the West has ever sought to do is to have enough nuclear capacity to prevent a war from taking place.

SIR FREDERIC BENNETT,
London

Regarding "The INF Treaty Doesn't Make the World Much Safer" (Dec. 8).

A more classic example of a writer long on geopolitics and short on sense would be hard to find. Jonathan Schell concludes that there is a point (in the reduction of nuclear stockpiles) at which societies might start to be safe from immediate nuclear destruction.

But if Chernobyl created extensive agricultural losses in Europe and strained the Soviet hospital system, surely a half dozen nuclear bombs dropped on the Soviet Union would wreck its health system, and that of Europe as well, while destroying European agriculture for years. This might take a few weeks, which is not quite "immediate," but it is close enough to destruction to persuade anyone.

RUTH ROMANOVSKY,
Châtillon-en-Michaille, France

The Way to Break Barriers

The fastest way (although it may take a generation to show results) to impart understanding and respect for different cultures, it seems to me, is to have young people from developed countries spend time in developing countries, learning about their people, language, culture, history and traditions.

Imagine the cultural barriers that would be broken if something like the U.S. Peace Corps, with a mandate to serve countries in Asia, Africa and Latin America, were put into operation jointly by OECD nations and the European Community, and if such a program had a chance to work for a decade or so.

The effect would be everlasting, multiplied by the generations that followed, bringing in its wake international cooperation and understanding on a scale hitherto unseen.

SAAD ASHRAF,
Brussels

Nothing to Laugh About

Regarding "Are Japanese Comic Books a Sign of National Doom?" (Meanwhile, Dec. 1) by Tamotsu Sengoku:

What Mr. Sengoku decries as the selfish and irresponsible behavior of today's youth is in many cases a last desperate attempt by young people trapped in an increasingly conformist society to find some small space in which they do not have to fear the consequences of not wanting to be just like everyone else.

Attitudes such as he expresses fuel the attempts of the Japanese government to replace the democratically inspired courses in social studies introduced after the war with morals instruction designed to teach them the "proper forms of thought and behavior." It is certainly no laughing matter.

STEVEN PLATZER,
Tokyo

In explaining the popularity of comic books in Japan, and in contrasting the reading habits of Japanese and American high school students, Mr. Sengoku need not have reached so far for answers.

A distinctive feature of Japanese comic books is that they are rife with extraordinarily graphic sexual depictions. Needless to say, if American comic books were so explicit, they would be far more popular among U.S. students.

ROBERT B. HEINER,
Heidelberg, West Germany

Regarding the review of Fred Bridgland's "Jonas Savimbi: A Key to Africa" (Oct. 13) by John Keegan:

Mr. Keegan's clumsy attack on Fred Bridgland's book hardly does justice to your newspaper's credibility in African affairs. Because of my interest in Angola, and in Mr. Bridgland's book — I negotiated the film rights for "Jonas Savimbi: A Key to Africa" — I have followed some of the reviews that have come out: David Birmingham of the University

of Kent, in a review for the Royal Institute of International Affairs, noted that Mr. Bridgland began his book with a quotation from George Orwell's "Homage to Catalonia." Mr. Birmingham says Orwell would have been proud of his disciple, and describes the book as a "meticulous documentation of events, and a richly illuminating personal portrayal."

Colin Legum wrote that "Bridgland has performed a dauntingly difficult task with skill and honesty."

The Paris daily Le Monde recently quoted Mr. Savimbi's accusation that France was treating Angola as nothing more than a giant oil field to be callously exploited. Mr. Bridgland's plea that ways must be found for a dialogue to take place between the Angola government and the UNITA rebels, and for a cease-fire to allow talks on a government of reconciliation, deserves the respect that Mr. Keegan is obviously incapable of showing.

MARCEL PRUWER,
Kinshasa, Zaire

Don't Knock the Nice

The quote attributed to President Reagan about his wife (American Topics, Dec. 7), that "knowing her and being married to her is kind of like coming into a warm, fire-lit room," makes me wonder all the more why your newspaper, its columnists and cartoonists continue to pour vitriol on him. Allergic to nice people?

PHILIP E. NEWMAN,
Paris

GENERAL NEWS

Pretoria Limits Opponent's Actions

By William Claiborne

Washington Post Service

JOHANNESBURG — The South African government placed severe restrictions Friday on the movement and speech of the recently freed chairman of the African National Congress, Govan Mbeki.

The government declared that Mr. Mbeki could not leave his hometown of Port Elizabeth, give interviews or write for publication.

The order dashed hopes of many anti-apartheid campaigners that Nelson Mandela and other black-nationalist prisoners would be released soon, paving the way for power-sharing negotiations.

The government said that Mr. Mbeki, 77, still was committed to communism and the overthrow of white minority rule, and that the restrictions were necessary to prevent a "promotion of the revolutionary climate."

Mr. Mbeki had insisted that his release Nov. 5 after serving 23 years of a life sentence for sabotage and treason was accompanied by promises that no conditions would be imposed.

The freeing of longtime prisoners such as Mr. Mandela and Walter Sisulu, both of whom were sentenced with Mr. Mbeki in 1964, had been held out by black nationalists as the only way moderate black leaders could participate in power-sharing negotiations.

Also Friday, the government said it would take action against the U.S. television network CBS for a documentary on apartheid that it said contained "blatant distortion, exaggeration of the negative aspects" of South Africa "and misrepresentation of the facts."

The minister of home affairs, Stoffel Botha, hinted broadly that CBS representatives would be expelled. The government said the documentary's principal narrator, Walter Cronkite, taped some interviews in South Africa last year after having entered the country on a tourist visa and "misrepresented" the purpose of his visit.

The documentary traced the effects of the South African system of racial separation — on black and white children, focusing on a juxtaposition of views presented in interviews with Rozanne Botha, daughter of President Pieter W. Botha, and Zindi Mandela, daughter of Mr. Mandela.

The national police commissioner, General Hennie de Witt, said the restrictions on Mr. Mbeki were necessary to "prevent promotion of the revolutionary climate and inter-



Govan Mbeki shortly after his release last month.

ference with prospects of ending the emergency situation.

Liberal opposition leaders and anti-apartheid campaigners condemned the move, warning that it would lead to renewed violence. Archbishop Desmond M. Tutu said Mr. Mbeki's release had been the most hopeful sign yet that the situation in South Africa could be resolved peacefully.

The Anglican archbishop said that, by restricting Mr. Mbeki, Pretoria was, in effect, "choosing a path of violent confrontation."

Colin Eglin, leader of the opposition Progressive Federal Party in Parliament, said the restrictions on Mr. Mbeki "will not only undo all the good that has been achieved by the government's decision to release him after 23 years in jail, but it will undoubtedly add to the tensions and frustrations in the wider South African community."

Mr. Mbeki's attorney, Priscilla Jans, said she was preparing an appeal of the order. She said Mr. Mbeki was "greatly disappointed and distressed" because he had been told upon his release that his movements would not be restricted. Mr. Mbeki could not be reached for comment.

Some activists said they thought the restrictions on Mr. Mbeki were the result of a backlash in the far-right Conservative Party, which posed a major challenge to President Botha's National Party in the whites-only parliamentary elections in May.

Ms. Jans, however, said she thought the government had mis-

calculated Mr. Mbeki's stature as a black leader and had been "obviously embarrassed" that it could not continue to maintain that leaders of the African National Congress did not have popular support among blacks.

Black Police Mutiny

About 60 black policemen mutinied against their white commander Thursday and fought a gun battle with riot policemen who were called to put down the uprising, the Los Angeles Times reported from Johannesburg.

Seven constables from the Lesoka municipal police force in (Seboke), about 35 miles (55 kilometers) south of Johannesburg, were wounded in the fighting and 19 were arrested on charges of mutiny and attempted murder, police officials in Pretoria said.

The mutiny apparently stemmed from long-standing grievances that the local policemen had about their commander and working conditions, but police spokesmen said in Pretoria that they were uncertain what led to the full-scale riot.

The local commander had just ordered a lighter inspection when the officers rebelled, got into their cars and trucks and tried to run him down, a police statement said.

When riot policemen arrived, the constables broke out of the local police compound, opening fire with pistols and shotguns, the statement said. The policemen fired back, using backshot and tear-gas grenades, and eventually dispersed the local police.



By Richard Morgan

For the third time in 20 months — and for the seventh time in seven years — the IHT has opened a new printing site. On Friday, Nov. 20, in the closing weeks of its centennial year, the paper inaugurated its tenth worldwide edition in Tokyo.

The Japan print site is the third for the IHT in the Pacific area, following Hong Kong in 1980 and Singapore in 1982. For the seven Paris-based IHT executives who attended the official lunch party at Tokyo's enormous Imperial Hotel, it was the culminating event not only of a busy two-week Asian tour but of an entire year of centennial activities.

The Asian centennial observances started 11 days before at the Singapore residence of U.S. Ambassador Daryl Arnold, who hosted a dinner for IHT visitors and local dignitaries as a prelude to the IHT's second centennial conference, which opened the next day at the city's modernistic new Raffles Center. As with the first centennial conference, which took place in Paris in April, the meeting focused on the future. Under the theme "Pacific 2000," some 40 speakers and seminar leaders from more than a dozen countries examined political and economic trends affecting the Pacific basin.

Nearly 300 delegates, mostly drawn from the 12 companies serving as IHT centennial sponsors, were treated to three days of intensive and provocative discussion, from the sweeping opening overview of Singapore Prime Minister Lee Kuan Yew to the thought-provoking wrap-up analysis of former U.S. Ambassador

NOTES ON A CENTURY

Celebrating the Centennial in Asia



In keeping with a traditional Japanese ceremony, a keg of sake is broached to ensure good fortune for the IHT's new Tokyo edition. From left to right: Ken Ishii, president of Tribune Japan Mainichi, Inc., IHT publisher Lee Huebner and Noboru Watanabe, editor-in-chief of Mainichi Newspapers.

to the OECD Edward Street. A lighter interlude was provided by New York Times and IHT columnist William Safire, the luncheon speaker on the conference's second day, who provided a sparkling analysis of the U.S. political scene. And to add a celebratory touch, the IHT gave a centennial cocktail party for delegates, speakers and Singapore friends, with special entertainment in the form of a traditional Chinese lion dance to the accompaniment of what was surely the loudest drum ensemble south of Kuala Lumpur.

From Singapore, the scene shifted to Hong Kong, home for the IHT's Asia office, headed by Malcolm Glenn, U.S. Consul General. Donald Anderson and his wife welcomed Herald Tribune visitors, together with local journalists and business leaders, for dinner at their residence on The Peak, with a breathtaking view of Hong Kong. Admiring this spec-

tacular scene after dinner, one of the visitors inquired of the famous Hong Kong entrepreneur Sir Run Run Shaw, "...and what do you do, sir?" only to receive the expansive — and largely accurate — reply, "I run all this." (The response immediately qualified Sir Run Run for the IHT pan of the Centenary award.)

The Tib's own centennial reception was held on Nov. 17 at the famed Hong Kong Club. Several hundred guests joined in a series of appropriate toasts, and an enormous birthday cake was again ceremoniously cut — and expeditiously devoured.

The next morning, the IHT delegation flew to Tokyo and a busy schedule of launch-related meetings, interviews and social gatherings. Prime Minister Takeshita and Foreign Minister Uno each received the IHT's publisher, Lee Huebner, and executive editor, John Vиноc.

Mike Mansfield hosted a luncheon party at the historic embassy residence. And in Tokyo, as in Hong Kong, the local American Chamber of Commerce invited the Tib's publisher to address their members.

The Tokyo edition of the IHT is distributed through a joint venture company involving the International Herald Tribune and Mainichi Newspapers, one of the great Japanese publishing groups (the Mainichi Shimbun's circulation is 3.5 million). The IHT is transmitted to Tokyo by space satellite from Paris, at a speed of about three minutes per page. Page images are received in the early morning hours and printed about 8:00 A.M. Tokyo time at the well-equipped Seisan Keizai printing plant. The paper is distributed in central Tokyo before noon and in other areas during the afternoon hours. Previously the IHT was flown in daily from

Hong Kong, arriving too late to permit distribution on the day of publication.

The very first copy of the new Japan edition was duly welcomed off the press on the morning of Nov. 20 with a toast in champagne labeled "Cuvée du Centenaire," a vintage prepared especially for the newspaper's year-long celebration. The traditional Japanese Daruma Doll was also present, and participants colored in one of its two blank eyes for good luck, looking forward to a return visit when the second eye can be drawn in, marking the achievement of the project's initial goals.

That evening, some 500 political and business leaders joined with other friends of the paper at a party which formally celebrated both the opening of the new site and the Tib's 100th anniversary. The traditional keg of sake was broached and a good deal of sushi, sashimi and tempura was consumed, as IHT personnel greeted old and new friends in this, the paper's newest home city.

The Paris Herald's founder, James Gordon Bennett Jr., was a man passionately dedicated to progress who pioneered many of the technical innovations that made the modern newspaper possible. He would certainly be delighted to know that the tradition continues and that, one hundred years after its founding, his Paris newspaper is being read on the other side of the globe several hours before the day has even begun for its European readers.

This is the 41st in a series of messages about the IHT which is appearing throughout the Centennial year.

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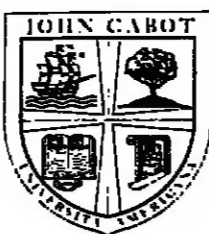
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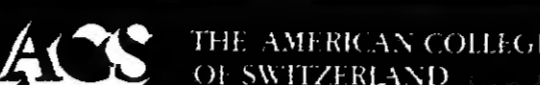
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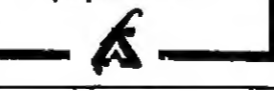
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The Economy: A Year of Careful Planning Pays Off

THE Saudi government is due to announce its 1988 budget within the next few days. The new financial year starts on December 23.

The rumors in Jeddah and Riyadh are that the budget will not be much different from last year's surprisingly high figure of \$45 billion. That should not be so remarkable. Despite the kingdom's tighter economic circumstances, with talk of "increased efficiency," "rationalization of manpower" and "cuts in unnecessary expenditure" making regular appearances in the local press, 1987 has been a far easier year financially for the Saudis than 1986.

That is because the price of oil has remained stable at \$18 a barrel (which means that Saudi gets \$17.52 a barrel), compared to the wild fluctuations of 1986 when at one point it reached a low of \$8. Stability of prices, and with it revenue, is crucial to Saudi planning. Despite a healthy growth of petrochemical sales, oil revenue will continue to account for the largest single input to the budget for some time to come, probably around the 35 percent mark.

That oil prices have remained stable is largely due to Saudi Arabia's own effort. Although the Organization of Petroleum Exporting Countries (OPEC) agreed last December to force the price back up to the \$18 benchmark and set a production limit of 15.8 million barrels a day, it soon became clear that certain members were not abiding by the rules. There was discounting and overproduction. It was thanks mainly to Saudi Arabia slashing production during the spring from its quota of 4.133 million barrels a day to around 3 million barrels that the glut was cut and the price stabilized.

But although stability in revenue is the government's key objective, the fact remains that the Saudi economy is still highly susceptible to the vagaries of the international market. It is not just because of the importance of oil exports; foreign investments, the linkage of the rial to the dollar and the country's continued massive reliance on foreign imports have placed Saudi Arabia in an unenviable position economically.

The continued rise in the yen and the Deutsche mark (the currencies of two of the kingdom's main sources of imports), the slide in the dollar — and with it not just the pegged rial but also, more important, the value of a barrel of oil — and the recent stock market crash ought to have done little for the Saudi government's sense of economic confidence.

Investment Revenue

Equally, investment revenue is no less crucial to budgetary planning than oil revenue. Last year it accounted for 18 percent of budget revenue. It is still too early to say how much Saudi investment income will be affected by the stock market crash. But like everyone else, the Saudis cannot expect to be immune.

Yet ask a Saudi how the economy is doing and he will invariably answer, "Not bad" or (in this case with justification) "It's a lot better than last year." The view that the recession has bottomed out and that things are getting better is one that is widely held. Partly it is due to the flow of statistics backing up what is fairly evident to everyone in the kingdom, notably that the living standards of the average Saudi, of which there are now 12 million, is getting better all the time. According to the latest government

survey published just 10 weeks ago, Saudi living standards are now on a par with those of developed countries.

Nonetheless, the degree of equanimity with which most Saudis seem to regard the stock market crash and the decline of the dollar/rial/barrel of oil understandably puzzles most observers.

The situation ought to be worrisome. That it is not is due to deft economic footwork together with a dose of lateral thinking. In the view of some Saudi economists, a drop in the value of the rial, though admittedly causing a rise in the import cost, is no bad thing; it should make Saudi petrochemical exports cheaper, particularly in Europe, and act as a stimulus to Saudi industry as well as provide an effective and protective barrier for existing Saudi products such as cement, which local producers claim is being adversely affected by dumping by Japanese and Spanish producers.

New Trading Partners

In fact, there has not been all that much of a problem on imports either. The Saudi response to the movements in currency values has been to switch trading partners. It is not the Saudis who are suffering so much as the Japanese and the West Germans, whose sales to the kingdom have taken a tumble. After the United States, which has long been the number one exporter to Saudi Arabia, Japan used to be second, followed by West Germany. By the end of last year the West Germans had been overtaken by the British, who are experiencing something of a relative boom in the Saudi market.

Last year Britain was the only major industrial exporting nation to register a major increased presence in the Saudi market. While everyone else's sales dropped an average 25 percent (the Japanese went down 50 percent), British imports to the kingdom registered a 20 percent rise. Nor has it shown any signs of slowing up. The British balance of trade surplus with Saudi, the largest of any country with the kingdom, continues to grow. At the end of September, it was already almost \$500 million higher than the 1986 total of \$1.6 billion.

The British are now breathing heavily down the Japanese's necks; when this year's trade figures come out, there is every possibility that the British will have even edged them aside. The deals continue to flow in. On November 20, British Telecom won a \$42 million contract to install a new telex network for the kingdom. Two or three years ago, that sort of contract would have been expected to go to the West Germans or the Japanese. On the other hand, Japan is not a total loser. Sales may have gone down but so too has the cost of buying Saudi oil, of which Japan is the largest customer, taking almost 25 percent.

The reason for the high level of British sales is twofold. First, Britain does not suffer from the unfortunate effects of a strong currency. Secondly, there is the Tornado fighter plane deal, estimated at anything from \$7.5 billion upwards. Much of the 1986 and 1987 growth in British sales to Saudi Arabia related to the deal. Britain's Department of Trade reckons that, without that deal, exports to the kingdom would be about 2 percent down. Compared to Japan (50 percent down on share), West Germany (25 percent down) or even the United States (23 percent down), England does not have too much to worry about. As far as U.S. exports to the kingdom are concerned, the



Petrochem's new butene-1 plant began operations this fall in Al-Jubail.

joint slide in the dollar and rial ought to act as a stimulus. However, given the tighter economic climate, the Saudis are in no mood to start splashing out buying American just because everyone's marketplace has become much more expensive. The parallel drop in real terms in the value of a barrel of oil, and therefore in Saudi Arabia's purchasing capacity, will certainly ensure that the Saudis continue to be ultra-cautious when it comes to spending.

No Cuts in Development Program

Nonetheless, King Fahd and his government have made it clear that there will be no cutting in Saudi Arabia's development program, particularly its industrial program. Given that determination, especially in the area of high-tech industries, U.S. groups such as the aviation equipment team that visited Saudi Arabia in November can expect to get a good hearing. In the meantime, however, eyes are still firmly fixed on the two offset deals, with Boeing and with the U.K. government, and what benefits they will bring.

The idea was an ingenious means of persuading successful bidders on major government contracts to reinvest a portion of the value of the deal back in joint ventures in Saudi Arabia, with Saudi investors putting up an equivalent amount. The figure set in both the Peace Shield airborne warning system awarded to a Boeing-led consortium and the Tornado contract deal was 35 percent of the technical content. The result is that some \$2.4 billion is due to be invested in new ventures within the Kingdom.

It is a mammoth sum. Unfortunately though, progress toward implementation has been at a mammoth's pace — at least in the case of the Boeing offset projects. Almost four years after the awarding of the original contract there is still no sign of an offset venture (11 were originally earmarked) in action. That is not necessarily Boeing's fault: setting up high-tech industries in a country still in the early stages of development is no easy task and neither they nor the Saudis want to make expensive mistakes.

And to be fair, it is quite probable that one, if not two, of the proposed offset ventures will get the final go-ahead within the next few weeks, those being the \$35 million Accessories & Components Company and the \$230 million Advanced Electronics Center. Both will be based at Riyadh's King Khaled International Airport.

The British may not be all that far behind in making an

announcement of their own. They have learned from Boeing's problems. Moreover, unlike Boeing, they are not restricted to high-tech ventures. The sole criterion is whether the venture chosen benefits Saudi Arabia; so it could be to do with training, technology transfer, expansion of an existing project or even an agricultural project. To make it even easier, investment can be retrospective; it is quite possible, for example, that British Telecom's telex contract could be drawn into the project. However, the most immediate priority as far as the Saudi government is concerned is the price of oil.

Toward Stabilizing the Oil Quota

The government is walking a tightrope on the oil issue, trying to balance price stability with volume stability. It would like both. However, it started dropping loud hints long before the annual OPEC conference that it was not prepared to carry on paying to keep the market stable on its own any more. There was considerable concern in Riyadh that, having forced order back into the market this spring by cutting its own production by over a quarter, some OPEC members continued discounting and overproducing, thereby enabling buyers to replenish stocks and so regain the advantage. The conclusion was that they should not again allow production to drop to keep demand strong as happened in spring. Stability of quota would henceforth be the objective.

As to whether the price of a barrel of oil should remain quoted in dollars, or as some in OPEC suggested more than once, be quoted in a basket of currencies, there is a mixed attitude in Saudi Arabia. Certainly it would be in Saudi Arabia's interest to move away from a dollar pricing. As a rule of thumb, it is estimated that for every percentage point the dollar falls, Saudi oil revenue drops half a percentage point. But the problem with a mixed basket of currencies is that it would be extremely complicated.

There are others in OPEC who suggest a much more logical, and potentially lucrative, quotation — in yen. However, it is doubtful whether it could be made to work, even though in Saudi Arabia's case, much of the oil goes to Japan. For the rest of the world, it would mean increasing prices, which some producer would be bound to discount. The consequence would probably be a price war.

— Michael Dahmouk

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Adapting to Economic Change

PETROMIN, the General Organization for Petroleum and Minerals, may change when Saudi Arabia's oil industry is reorganized, but the company will still be recognizable.

Industry sources say that Petromin and the Arabian American Oil Company (ARAMCO) will still retain their general roles even after a reorganization is completed. At present, Petromin is generally charged with domestic refining and sales, plus state-to-state liquefied petroleum gas (LPG) and crude sales. Aramco has handled production and other sales.

Petromin's wide range of activities reflects its history of introducing industrialization and technological advance. The kingdom's first industry to use associated natural gas as feedstock was at first part of Petromin. This was the Saudi Arabian Fertilizer Company (SAFCO), which produces urea fertilizer and melamine plastic. It has since been transferred to the Saudi Basic Industries Corp. (SABIC).

Importing Refined Products

Other than SAFCO, and the more recent gold and other mineral extraction projects, Petromin's activi-



University of Petroleum and Minerals in Dhahran.

ties have been linked with oil.

Petromin took up the challenge of the paradox whereby Saudi Arabia at one time had to import refined products even though it was the world's largest exporter of crude oil.

Petromin built a series of refineries to supply gasoline, asphalt, kerosene, and other refined products and has often established part-

nerships with foreign firms to achieve its goals. Its two export refineries were built as joint ventures. Shell and Petromin built the Jubail export refinery. Mobil and Petromin built a joint venture refinery in Yanbu.

A third export refinery, being built as a joint venture with Petrolia, of Greece, is being erected in Rabigh. In addition to the export refineries, Petromin operates domestic refineries in Yanbu, Jeddah, and Riyadh. Aramco operates a refinery at Ras Tanura.

In 1986, Petromin reported that the domestic Jeddah Oil Refinery produced 31,941,608 barrels, a drop of 5.9 percent from 33,931,608 bbls. in 1985. The refinery capacity is 96,000 barrels per day (bpd).

The 160,000-bpd Petromin Refinery in Riyadh produced 40,550,501 barrels a year, a 2.3 percent drop from the previous year.

Riyadh refinery produced 1,453,348 barrels a year of liquid petroleum gas, 4,308,571 barrels of regular gasoline and 9,566,975 barrels of premium gasoline. Aviation fuel production was 3,978,166, diesel production was 16,216,474 barrels, while asphalt production was 5,026,967 barrels.

The 170,000-bpd Petromin Yanbu Domestic Refinery, the newest Petromin domestic refinery, produced 63,863,803 barrels.

Joint Ventures

Petromin's 50-50 joint venture Shell refinery in Jubail began production in 1985.

The 250,000-bpd Petromin-Mobil 50-50 joint venture refinery in Yanbu produced 72,349,494 barrels in 1986, up from 64,920,000 barrels in 1985.

Petromin also expects its 325,000 Petrolia-Petromin refinery in Rabigh to be on-line in 1988, and has sought a foreign partner in the lubricants business. Mobil, of the United States, joined Petromin in building and operating Lubref I, which has a capacity of 1.6 million barrels a year. Its owner is Petromin Lubricating Oil Refining Co., a 70/30 joint venture.

This follows Petromin's practice of establishing separate divisions to handle new businesses.

Lubref I has proven immensely successful. It has actually exported lubricants abroad, and produces base oils used by the Kingdom's blending plants to produce finished lubricants.

Additional base oil plants were planned to produce greater amounts of lubricating base oils for ex-

ports, but declining oil prices and budgetary considerations forced modifications of these plans. Petromin planned to build a 1.75 million barrels a year joint venture plant with Ashland Oil in Yanbu, and a mammoth 4.2 million barrels a year plant with Caltex in Jubail.

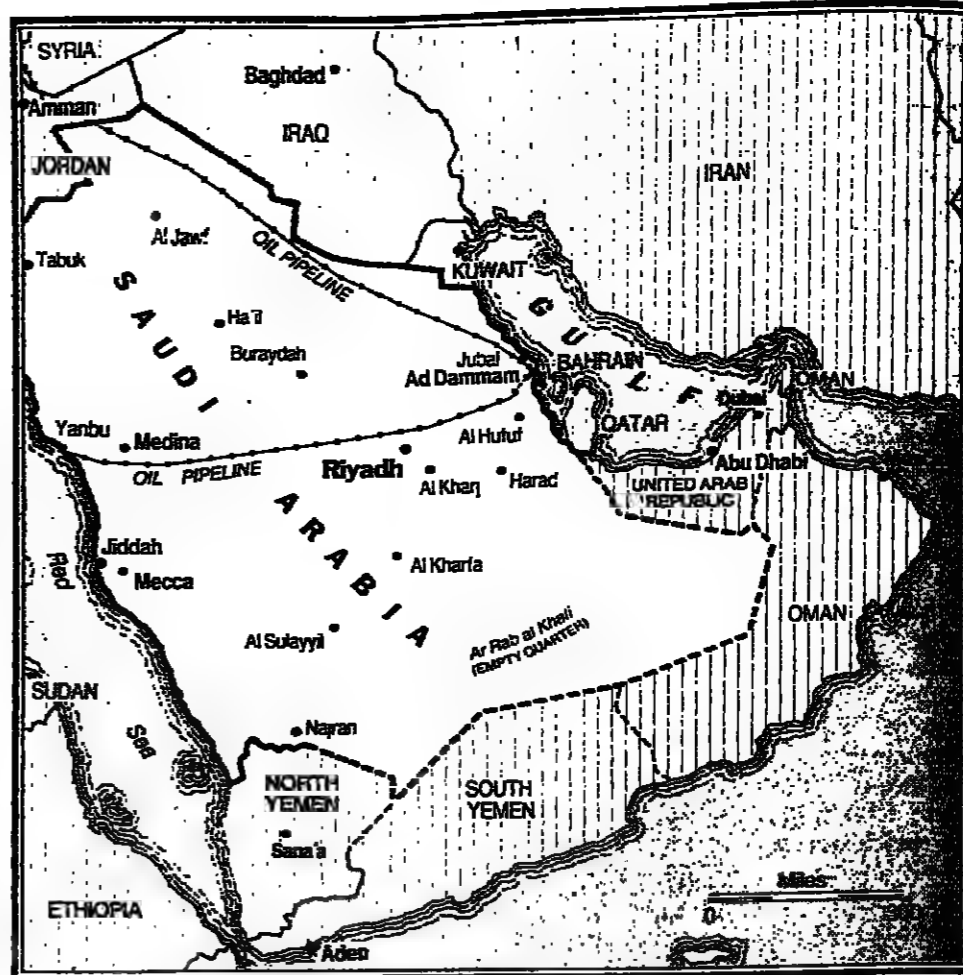
With the passage of time, Ashland dropped out of the Yanbu plant, and Petromin turned to its old partner, Mobil, to build Lubref II. The wildly optimistic Jubail Caltex-Petromin project was dropped in favor of a base oil unit that would be added to the Petromin-Shell export refinery in Jubail. This refinery would have a capacity of up to 1.5 million barrels a year.

Lubref II

The long-delayed Lubref II lubricant refinery appears to be coming back to life, say Saudi oil and banking sources.

The refinery, originally approved in March 1985, is designed to produce 1.5 million barrels a year of lubricating base stock. Within months of awarding contracts, the fall in oil prices led Petromin to delay the project.

Lubref supplies both Petromin and privately held blending plants in the kingdom. Two large blending plants are operated by Petrolube, a 71/29 joint



venture between Petromin and Mobil. These plants produce Mobil and Petromin-brand lubricants as well as other brands. Shell now produces finished lubricants from two privately owned Saudi-Shell joint venture blending plants.

In addition, Petromin has built a wholly owned blending and grease-production plant in Jubail, called the Al-Jubail Lubricating Oil and Grease Manufacturing Plant (Saudi Lube); another Petrolube plant, Petrolube-3, will be built in Yanbu.

Non-Oil Activities

Petromin lubricants hold the dominant spot in Saudi Arabia, although Shell and Mobil are close followers. Further, Petromin lubes have won a place in regional markets. Last year, 20,000 barrels of Petromin lubricants were exported mainly to the Gulf,

but also to Yemen, Sudan, Lebanon, Guatemala and Belgium.

Petromin's activities are not limited to oil. The company supplies gasoline, jet fuel and other refined products throughout the Kingdom. Recently, the company was helped by a boost of gasoline prices. But even after the rise, premium gasoline costs only 14.4 US cents a liter. The Ministry of Petroleum explained that a higher price would reduce wasteful use of gasoline and help the profitability of Petromin. In any event, the kingdom has agreed to slowly bring gasoline and other product prices in line with those of the other Gulf countries. Saudi gasoline prices have long been the lowest.

Petromin has also developed a foreign presence. It is one of the world's foremost sources for LPG. One

of its biggest customers is Japan. In 1986, Japan imported more LPG from Petromin in Saudi Arabia than from any other source. Total imports were 5.9 million tons, compared to the second-largest supplier, Abu Dhabi, which supplied 2.2 million tons.

Petromin is not confined to hydrocarbons. It has taken bids on opening up a second gold mine. The first, Mahd Ad-Dahab, is believed to be the site of the legendary mines of King Solomon. Today, gold is being commercially extracted from the mine.

The kingdom is believed to have commercial amounts of phosphates, iron, and other minerals. Petromin has even discovered some coal deposits, which could bring Petromin an entirely new line in the hydrocarbon business.

— Doug Graham

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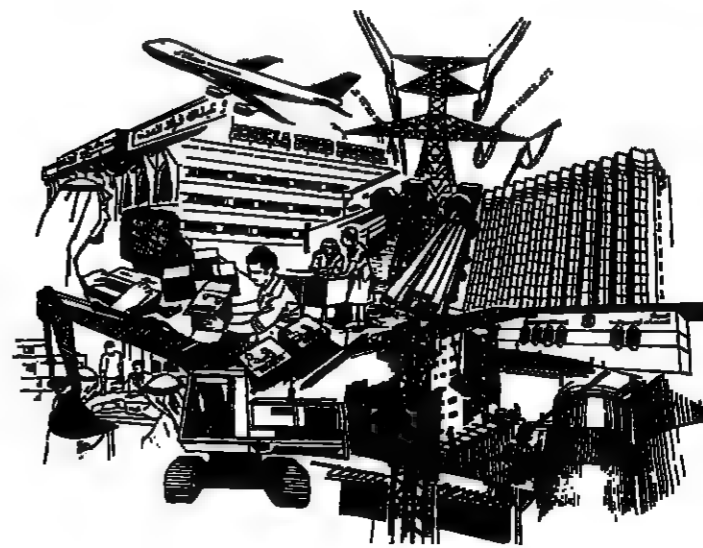
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هكذمن العول

A New Perspective on the Private Sector.

THERE would seem to be something of a contradiction in the Saudi economy. There is probably no government on earth more committed to the role of the private sector—not even Margaret Thatcher's Britain nor Ronald Reagan's America. For its part, the Saudi private sector is probably the wealthiest and certainly the most fluid in the world.

Yet government spending accounts for almost 65 per cent of gross domestic product (GDP). That is more than most welfare states in the world. True, the private sector contribution to GDP would have been much larger—probably nearer 45 per cent—were it not for the decline in the construction sector, partly caused by the fact that much of the infrastructure has already been completed. The decline, however, had the unfortunate effect of inducing a decline in the transport and trade sectors. There was significant growth in the agricultural sector and in traded public utilities. Nonetheless, in a country that is ideologically committed to the private sector, the state remains the major operator.

Setting the Pace
Given the massive scale of Saudi development and the remarkably short time period involved—just 30 years—it was only natural that the government should take the lead, creating the infrastructure and laying the ground for large-scale capital-intensive industries such as the petrochemical ventures at Jubail and Yanbu. The private sector concentrated instead on commerce, agriculture and construction.

Not that it ignored industry. Far from it. By the end of the last financial

year, some 1,864 locally owned private industries with a capital of \$16 billion were licensed and running, producing goods such as concrete, glass reinforced plastics, piping, cable and wire. There are licenses for another 1,543 industries. A further 400 industries, primarily petrochemical, metal and foodstuffs, were established as joint ventures with foreign companies with a total capital investment of \$3 billion.

The government provided strong support, encouraging the private sector to assume its proper role in industry and pointing it in the right direction. Of the \$3 billion provided in interest-free loans to the private sector last year (the total so far is \$44 billion), a large proportion went to industrial ventures.

In addition, though, the private sector was quick to follow where the government led, snapping up equity in the public utilities and corporations like SABIC, the parent company for most of the kingdom's petrochemical projects, when they were floated on the market.

The Future
Nonetheless, the main thrust of private sector activity was not toward industry. Now, however, the race is on to alter that situation dramatically, when the government talks about "the private sector," it is effectively talking now about its role as a motor for industrial growth.

Government intention is that industry's contribution to GDP, currently 10 per cent, should rise to 15 per cent within the next four to five years, thereby generating about \$1,000 of manufacturing value per Saudi citizen (compared to current levels of \$660 in the

kingdom, \$550 in South Korea and \$2,000 in Spain).

The private sector's reaction has been very cautious. While looking for optimum investment opportunities, there is a problem. "Where do I invest?" is a question business entrepreneurs are constantly asking. "Where are the projects?"

Certainly, when floatations of existing ventures take place there is no lack of interest—as the recent share floatation of Saudi Cable Company shows; it was almost 40 percent oversubscribed. This has given rise to fears that the private sector, having been led by the hand by the government for so long, is reluctant to let go. "It seems to have developed a taste for letting the government do the hard work, and then moving in afterwards," notes one Riyadh-based banker.

Private Initiative
That may be an unfair assessment. While there have been recent calls from the business community for further government priming of industry, there is also ample evidence of the private sector making efforts of its own to pinpoint and then create ventures in which to invest.

The Saudi Venture Capital Group, drawing together some of the largest Saudi private operators, the Saudi Advanced Industries Company and the National Industrialisation Company, are such examples. Since it started 27 months ago, the latter has, in addition to investing in some seven existing projects, investigated 70 potential projects; of these four are now being set up, and feasibility studies are almost complete on another five. Both NIC and SAIC are involved in three of the \$600 million Boeing

Officer Peace Shield projects.

Competition
There is, however, another reason for private sector caution: competition—and, more specifically, unfair competition. There is a growing consensus among the business community that if Saudi industry is to prosper and flourish, there will have to be either subsidies or protectionist measures, at least during its infancy. The authorities are none too keen on the idea. "It is not our policy," stated Industry and Electricity Minister Abdel Aziz Al Zamil earlier this year, "no foster inefficient industries producing poor-quality products behind a wall of protective tariffs." But certain industries believe they have good reason to complain. The kingdom's cement producers, already hit this year by a 20 per cent contraction in the construction industry, have had to slash prices from \$3.73 a bag to \$1.60 in coastal regions and \$1.87 inland to combat what they claim is dumping by producers from Spain, Greece and Japan. "This is war" was the recent reaction of the Saudi-Kuwait Cement Company chairman, Ahmad Al-Twejri. But, as Twejri pointed out, any further price cuts could put some producers out of business.

Allegations of dumping are also being made by the gypsum industry which likewise wants the government to introduce anti-dumping measures. Nor is the problem confined to the construction industry. Dairy farmers face a threat from imports of European Community-subsidized milk powder.

Yet despite these problems, there is every reason to believe that Saudi Arabia

is on the threshold of a major breakthrough as far as private investment in industry is concerned.

Making Progress

After a painfully slow start, the Boeing Officer program of capital-intensive high-tech industries looks as if it is finally about to take off. Four of the 11 originally designated projects are thought to be near the end of the feasibility stage and work may well start on them early next year. Progress on the even larger Tornado offer deal with the British has been

moving much faster. The first project, possibly a Rolls Royce aero engines repair center, may well be announced before the end of the year.

Altogether, the Tornado Offer deal will result in at least \$2 billion worth of projects being started in the kingdom, of which the Saudi private sector is expected to take a 50 percent equity stake.

International Markets

For its part, the recent crash on the international markets, together with the

decline of the dollar to which the rial is pegged, may well act as a spur to Saudi investment back home. Several Saudi businessmen got their fingers burned in the crash. Omar Aggad, president of the Aggad Investment Company, is sure that it will prompt many Saudi investors to take "a closer look at investments in national industry." Certainly there is evidence of a halt in the flow of bank deposits from the kingdom, though whether this is a temporary effect or not is too early to say.

The decline in the dollar and with it the rial should, however, have some clearly beneficial effects. First, it will make Saudi petrochemicals that much more competitive on the European markets; recently they had suffered because of cheaper feedstocks available to their European rivals. Second, it should solve the problem of dumping and undercutting within the kingdom. There will be no need for anti-dumping measures.

—Michael Dalmoak

Sharing the Risks and Rewards

THE subject of Saudi banking has become a three-way debate among optimists, pragmatists and pessimists. While they generally cite the same issues and evidence, they draw strikingly different conclusions.

Oil revenues in themselves did not create the characteristics necessary for the strong development of a domestic economy—especially of a newly industrializing economy. Oil revenues gave the government the opportunity to invest.

But as the majority of that investment was in the social and physical infrastructure of the nation (admittedly an essential investment), the role of the banks and of the private sector was necessarily determined by that of the public sector as the overwhelming contributor to Saudi's GNP.

Key Sector

The construction sector has traditionally been the most significant economic indicator, and current forecasts from the authoritative International Review anticipate strengthening perfor-

mance, with the sector achieving levels of \$21.8 billion annually over the next three years and the public sector accounting for \$14.4 billion a year.

This is good news for the banks, most of whom reported significant downturns in profits for 1986. Several of the better-known joint-venture banks were particularly affected.

Shaukat Aziz of Saudi American Bank puts this into context, pointing out that most institutions have sought to strengthen their balance sheets by increasing reserves. He also notes that, in terms of ratios, Saudi banks in general are among the most strongly capitalized in the world.

National Commercial, the kingdom's oldest and largest bank, reported a near 15 percent increase in assets in 1986, but a 19.8 percent decline in net profits, partially accounted for by provisions representing 3.4 percent of loans.

Riyadh Bank, the other long-established domestic institution, recovered from a drop in total assets be-

tween '84 and '85 to an increase of 7.5 percent between '85 and '86 but, at the same time, saw net profits fall 63.1 percent.

Consolidation

Some commentators suggest that these wholly domestic institutions may be in a stronger position during periods of consolidation. In the rich years, they did not have access to their joint venture competitors' international contact networks; but in the lean years, their domestic relationships and loyalties may well pay dividends. They have also taken steps to develop their own international networks. NCB, for example, already has representative offices in London (which may become a full branch), Frankfurt, Seoul, Singapore and Tokyo, with full branches in Bahrain and Beirut. Riyadh Bank not only has its city branch in London, but also opened a retail branch in Park Lane recently.

Andrew Dixon, deputy managing director of Saudi British Bank, provides another optimistic perspective: "We are quietly confident about the period of consolidation and reorganization. We are very technology-oriented and believe that our investment in this infrastructure stands us in good stead to accept the challenges of the future."

Major Markets

As market institutions, banks go where the business is. For over a decade, the overwhelming majority of asset acquisition by banks in the kingdom was either in supporting domestic economic development or international, where the only significant window was international sovereign debt—usually in the Third World.

The nature of the domestic market led the banks to concentrate on short term and, as they thought, very secure lending such as trade finance to cover the necessary imports or contractor finance to provide short term working capital for the private sec-

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What do 11 major and independent oil companies in Saudi Arabia have in common with

Petromin

Saudi Arabia's best selling lube oil brand?

They all use one source for their base oil: LUBE REF

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مصنعة الزيوت

Cables: An Industrial Pioneer Goes Public

SAUDI Cable Company (SCC) of Jeddah, an industrial pioneer in the kingdom, is breaking new ground in finance as it goes public with a stock offering throughout the Gulf.

The company, the Middle East's largest manufacturer of stranded cable, is undergoing deep structural changes as it converts from a limited partnership to a fully public company.

It is floating a SR134 million share offering that is being handled by the Consulting Center for Finance and Investment (CCFI) of Riyadh.

SCC is selling 30 percent of its shares. The company is offering 725,000 shares to Saudi as well as Gulf Cooperation Council (GCC) investors. This will raise share capital of the company from SR200 million to SR250 million.

The offering was made because of Saudi Arabian law: Any firm that borrows more than SR100 million from the Saudi Industrial Development Fund must go public.

Saudi Cable Company is interesting to financiers, but its credentials are in



President of Saudi Cable Co., Omar H. Khalilati.

industry. The company is one of the kingdom's first industrial firms.

Its core business is a cable factory with a licensed capacity of 26,000 tons per year of copper conductor and 19,000 tons per year of aluminum conductor. The firm produces a variety of cable, including armored and unarmored cable.

The company has invested in vertical integration. Thus, it invested in a rod mill that can produce over 55,000 tons per year of cop-

per rod, enough to meet domestic needs and export.

The newest addition was a polyvinyl chloride (PVC) plant, which will get its raw material from Saudi Basic Industries Corp. (SABIC). The PVC plant has a licensed capacity of 16,000 tons per year. The PVC is used to produce cable sheathing and insulation.

The company also invested in a reel-making plant with a capacity of 60,000 wooden cable reels per year.

SCC's industrial plant produces several categories of cables. It can produce overhead power lines, insulated power cables, and low-tension building wires. The firm also makes specialty cables.

Its vertical integration means cable sales are augmented by aluminum and alloy rod sales, PVC compound, and wooden reels and pallets.

The company has secured licenses to manufacture metallic and fiber optic communications cables and related electronics equipment. Investment in production facilities may reach SR150 million.

So far, SCC has exported cable and rod to more than 14 countries, including Pakistan, Algeria, Greece and India.

— Doug Graham

Abbar and Zainy: The 'A to Z' of the Private Sector

UNLIKE many of Saudi Arabia's modern entrepreneurs, Abbar and Zainy have been around for more than 40 years. Abdullah Abbar and Ahmad Zainy, founders of one of the kingdom's most active private companies, first put their seeds in the ground for their present empire when they started growing wheat.

They now operate a chain of restaurants, grocery stores, dairy farms and processing plants and act as importers and agents for a

variety of manufactured products. The company, currently managed by the second generations of the two families, is also involved in the construction and marine oil services support industries.

To a large extent, as the company's name implies, they are the "A to Z" of the private sector. Abbar and Zainy is totally international in outlook in order to best serve the national need for food products and restaurants.

As Saudi Arabia rapidly develops so does the taste

for a more cosmopolitan diet. Imported brand-name foods include Del Monte and Gerber. There is prime beef from the United States alongside locally made dairy products, halawa and sesame sticks.

With the help of Swedish know-how, the company recently took over a dairy plant to compete in the difficult milk products market. Technology, aided by keener business acumen, seems certain to set the company on the road to success where others have failed.

In a joint venture with the French catering experts, Sodexo, Abbar and Zainy have opened a network of theme restaurants serving a mixture of fast food, top-class French dishes and locally based pastries.

Known as the French Corner restaurants, they first opened three years ago and there are now around one dozen in the main cities. The restaurants rely on supplies of prepared foods from a centrally based kitchen in each city that supplies the outlets, a formula that is becoming in-

creasingly familiar in the Gulf and the rest of the Middle East as development proceeds.

But Abbar and Zainy's enterprises are not only concerned with food processing and eating outlets. They also have several international joint ventures that include major capital projects with American and Japanese partners. One project is for a major yeast plant in conjunction with Universal Foods of Milwaukee, and another is for a revamped confectionery plant.

Alireza: Life in the Fast Lane



Haji Hussein Alireza, managing director of Haji Hussein Alireza Co. Ltd.

FORD's new agent for its Mercury line, Haji Hussein Alireza & Co. Ltd., is a strong partner that has outlasted many car companies whose vehicles it has sold in the past.

Husein A. Alireza, whose grandfather founded the company, recalls that it imported the first four-wheeled car into the kingdom in 1926. "It was either a Durrant or a Hupmobile," he said. Both brands have long since disappeared into the big names of Detroit today.

The company is best known for importing Mazdas and the Ford Mercury line, but it has imported a wide range of vehicles in the past. "We imported Nash, Studebaker, International, Mack, and Mercedes Benz," Mr. Alireza said.

Nash and Studebaker have since folded, although they have become collector's items.

Alireza also won the Ford agency in the 1930s, but lost the agency when Ford was put on the Arab boycott list in the late

1960s. When Ford was taken off the list earlier this year, Alireza was awarded the Mercury Division.

The company estimated a first-year sale of 3,000 cars, but sales are running ahead of estimates.

American car sales are benefiting from the weak dollar. The Japanese are suffering because in the past three or four years Japanese car prices have risen 250 percent. Prices for European cars have also risen sharply.

"Saudi Arabians always preferred American cars, and they were driven to buy the Japanese because of the price. But now when there is little difference in the price, they are buying American again," he said.

Haji Hussein Alireza is an offspring of the kingdom's oldest commercial establishment, the Alireza group. Haji Abdullah Alireza is the oldest firm, founded over 115 years ago. The grandfathers, Abdullah, Kneel, and Husein, separated in 1906 to found separate companies.

During the oil boom period of the 1970s, Alireza's company branched out into many activities, as did most Saudi firms. "Today the company is mainly automotive," Mr. Alireza said. "After the slowdown, we restructured our company and threw out a lot of the lines."

The company is involved in engineering, agricultural tractors and implements, power generators, power pumps and Liebherr brand heavy equipment.

As a dealer of MAN trucks, Mazda commercial vehicles, and Mercury cars, Mr. Alireza finds his firm is well placed for the future. The firm has built a network of 14 branches.

"We found this year that the economy is picking up," Mr. Alireza said. "Sales are much better than last year. I think the country was restructuring, in a way. We believe in further growth of the economy and expansion and we are going to be ready for it."

— Christopher Ogg

— Doug Graham

WELCOME BACK TO INTER-CONTINENTAL IN RIYADH



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Sharing Risks and Rewards

for implementing a government contract.

Banks would not normally lend medium or long term domestically — the classic requirement to support entrepreneurial development — as Jad Suidan, then director general of the (Riyadh-based) Arab Investment Company, argued powerfully and eloquently several years ago.

Pragmatists see the problem in simple terms. The banks could choose among attractive profits on short term trade finance (secured against goods and dealing with excellent names), extending international sovereign risk credits brought to them by high quality international banking names, or accepting long term risks backing the largely untried skills of domestic entrepreneurs seeking to implement private sector projects.

The pessimists point out that, by choosing the first two and largely ignoring the third, they inherited the worst of all worlds.

In the oil price crash, the

banks suddenly learned that Saudi law reflects Islamic law: profits are based on shared risk. Some bankers found it difficult to deal with the fact that a client could not be directly brought to book on a debt. Instead, he might point to a pile of suddenly unwanted aggregate sitting some hundreds of miles from Jeddah and say "we have a problem. What are we going to do about it?"

Winners and Losers

Bankers also rediscovered they were in the risk business when loans entered into with Third World countries for far fees and small spreads over LIROR suddenly started turning sour.

And all the time, the small entrepreneur that they wouldn't supply with the funds he needed, on the maturity he required, on a risk-sharing (quite possibly equity) basis totally acceptable to Sharia law, has probably been better shielded from the downturn than anyone else.

The government has

(Continued from Page 13)

been trying to resolve the complex legal issues surrounding the enforceability of debt. At present, it seems clear that in an Islamic society, banking is about sharing both risk and reward.

While most Western commentators focus on the issue of interest and collateral and whether or not they can be enforced by law; the Saudis are grappling with a more fundamental issue — the meaning of risk and the implied partnership between banks and their clients in that risk.

In an intriguing development, the Islamic finance group, Al-Rajhi was licensed as a bank in June this year. SAMBA's managing director Shaikh Aziz welcomed this as "a positive development. It brings a major provider of financial services into the banking community."

Pragmatists point out that the banks entered the fray knowing both Saudi law and custom. For about a decade the Saudi banks, especially the joint venture

banks, enjoyed some of the highest profitability levels in the world.

The optimists refer to the hardening of oil prices, the upturn in the Saudi economy, the strengthening of the construction sector and the genuine attempts to find solutions to Islamic banking issues in a world that includes many other banking problems: offset trading; deep discounting of Third World debt; sovereign default; and the regular abuse of the rules of international trade.

Creative Solutions

Among the optimists is Saudi American Bank, Citicorp's joint venture bank. John S. Reed, the chairman of Citicorp, recently visited the kingdom and said, "Imaginative economic planning and development has resulted in spectacular progress for the kingdom."

The pragmatists know that solutions have always been found; that Saudi Arabian Monetary Authority has acted responsibly and flexibly in the past; and that many options remain

open to the monetary authority of what is, after all, still one of the world's most powerful economies.

The pessimists cite the disillusionment of many of the investor banks in their role and future in Saudi Arabia, but there are few of their other international investments that can have shown as much profit over the past decade or as much potential for development over the next, if only they could determine exactly what business they're in.

Banks exist by acting between people who sell and people who buy. Saudi Arabia will be a major player on both sides of that equation for a long time. Part of that role involves understanding the rules on both sides and even helping to arbitrate.

Many sophisticated banking products emanated from the first international surge of Islam centuries ago. Similar creativity today could reap similar rewards again.

— Christopher Ogg

— Doug Graham

The sign of understanding.

There are branches and offices of The Saudi British Bank throughout the Kingdom. In Al-Khobar, Dammam, Jeddah, Riyadh, Taif - Jubail - Hufuf - Makkah, Madinah and Buraidah and over 30 other branches in the Kingdom. And in each case, the sign outside does more than announce our presence. It shows you that we understand the demands and needs of a fast



developing economy and nation.

It shows you that we understand and are ready to help with your financial requirements whether at home or abroad, no matter how small or large.

And it shows that we understand and have a commitment to all our customers from the personal account holder through to the largest international corporation.

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هكذا من العمل

ADVERTISING SECTION

ADVERTISING SECTION

Petrochemicals: Off the Drawing Board and onto the Market

TEN years ago, Saudi Arabia's petrochemical industry was in the planning stage, but today Saudi Basic Industries Corp. (SABIC) sells more than 3 million metric tons of chemicals, plastics and fertilizers, worth over \$1 billion a year.

SABIC, which is 70 percent owned by the government and 30 percent owned by the public, now operates 11 plastic, fertilizer and chemical plants. Private investors have also announced plans to produce aromatics, polyols, PET resins, and maleic anhydrides.

"I see in the future that Saudi Arabia will be one of the main industrial centers for commodity chemicals and petrochemicals," said Ibrahim Ibn Salamah, vice chairman and managing director of SABIC.

The corporation was founded to establish joint ventures that would contribute technology, marketing expertise, and help toward that goal. The investments would have the benefit of low-cost natural gas, tax holidays, and entitlements to crude oil in the event of future crude oil shortages.

Mobil, Exxon, Texas Eastern, and Celanese from the United States have entered into joint ventures. Eni Chem of Italy, Neste Oy of Finland, Mitsubishi of Japan, as well as Korean and Taiwanese firms have also established joint venture companies in tandem with SABIC.

But foreign investment has not protected SABIC from protectionist moves in Europe, Japan, or the United States. Some 80 percent of revenues are earned by export, according to the

president of SABIC subsidiary SABIC Marketing Ltd., Abdullah Nojaidi. He stresses that much of SABIC's output is consumed in the kingdom, both directly and in conversion into other products.

The new 50,000 mtpa Butene-1 unit added by Arabian Petrochemical Co. (Petrokem) will ship its output to SABIC plants producing linear low-density polyethylene (LLDPE) and high-density polyethylene (HDPE). At least half of SABIC's ethylene diolacids is now converted to PVC and VCM. Saudi farming consumed a large portion of its urea fertilizer output.

A methyl tertiary butyl ether (MTBE) plant will come onstream in 1988. The kingdom is considering a plan to switch to unleaded gas, which would use a large proportion of the plant's output.

Much of SABIC's future PVC production will go to the kingdom's large PVC-consuming industrial materials sector. Polystyrene is also used by the kingdom's industrialists. Consumption of plastics in the kingdom is now more than 180,000 tons per year.

SABIC products are sold both by its joint venture partners, and its two wholly owned subsidiaries, SABIC Marketing and SABIC Marketing Services, established in 1983. SABIC Marketing Services is established in London and Hong Kong and has a representative office in Tokyo.

SABIC has also opened overseas sales offices, SABIC Marketing Europe, based in London, and SABIC Marketing America, in Stamford, Connecticut. "The objective is to keep

SABIC close to the market," said Mr. Nojaidi.

Meanwhile, SABIC is continuing to expand. In addition to the Butene-1 unit, a 100,000 ton per year polystyrene unit at Petrokem is starting up. The Saudi European Petrochemical Co. (Ibn Zahr) 500,000 mtpa methyl tertiary butyl ether (MTBE) joint venture is expected to be operational in 1992.

The National Chemical Fertilizer Co. (Ibn al-Baytar), a joint venture with SABIC-owned SAFCO, has begun shipping ammonia and has a capacity of 500,000 mtpa of ammonia. Further, SABIC is advancing on the second phase of Ibn al-Baytar; it will add an 800,000 mtpa compound and phosphate fertilizer plant. The capacity of Saudi Methanol Co. (Ar-Razi) may also be raised from 600,000 mtpa to 1.2 million mtpa.

In the longer term, SABIC is considering a 200,000 to 250,000 mtpa polypropylene plant in Yanbu, the kingdom's giant petrochemical port on the Red Sea. Other projects could produce polyesters, and alkyl resins, and alfa olefins.

SABIC was formed to encourage the development of downstream industries. One of these, the Saudi Urethane Chemicals Co. Ltd., has gone onstream in Jubail. The 3,000-ton per year polyols plant is a joint venture between the Albahrain Industrial Group, Synthesis Espanol of Spain, and Upjohn Polymer of the United States.

Jeddah's Saudi Venture Capital Group has received industrial licenses for PET resins, maleic anhydrides, and aromatics. Fluor Arabia

helped with research and feasibility studies.

The National Industrialization Company (NIC) has invested in Shairco's Kerr-McGee joint venture titanium dioxide plant. NIC has also formed a joint venture to collect hazardous waste at Jubail. The National Company for Environmental Preservation (BEEAH) is accepting bids on a plant that will process 10,000 tons of waste per year using landfill, high temperature incineration, and chemical treatment. Khadamat and NIC will own 25 percent each, the remainder will go to Saudi investors.

Mr. Nojaidi welcomes private sector participation in petrochemicals, but warns Saudi entrepreneurs that they are entering a competitive business and that they have to look beyond the domestic market. "You need very aggressive businessmen to take initiative and risks in this business," he said. "They should produce international products that can compete on international markets."

From Construction to Medical Care

HEIKH Abdulla Fouad started his business in 1947 at Ras Tanura carrying out different construction contracts to ARAMCO. The Abdulla Fouad Corporation was formally established on July 28, 1971.

From its beginning in contracting, trading and engineering, the Abdulla Fouad Corporation was expanded into a number of diversified sectors including contracting, trading, manufacturing, services, real estate, investment and commercial representation. In short, the company today is involved in virtually every aspect of the expanding Saudi Arabian economy.

The supply services division of the corporation represents over 200 major European, American and Japanese firms. The corporation's commercial division is mainly engaged in the supply of all types of heavy and medium-sized equipment as well as the supply of construction and industrial material.

The 310-bed Abdulla Fouad Hospital offers a unique medical service to the people of the Eastern Province and it is a project which will continue to expand in its efforts to help in the medical program of Saudi Arabia.



Petrol Export Refinery in Yanbu.

Foreign Investment In Industrial Cities

WHEN H.E. Mr. Hisham Nazer, Minister of Petroleum and Minerals, toured the United States earlier this year, he urged American businessmen, especially those in the petrochemicals industry, to join Saudi Arabia in more joint ventures.

Saudi Arabia, he said, was going to use its vast gas and oil resources to estab-

lish a world class petrochemicals industry. His country had no intention of dumping cheap petrochemicals in order to capture a share of the global market.

Fifteen of Saudi Arabia's 17 scheduled world-scale petrochemical and industrial plants already are up and running in the twin industrial cities of Jubail and Yanbu. The two projects, conceived and implemented by a Royal Commission, represented more than a \$30 billion investment.

Prince Abdullah bin Faisal bin Turki, secretary-general of the Royal Commission for Jubail and Yanbu, describes the commission as "a unique development agency not only within Saudi Arabia but, perhaps, in the entire world."

Prince Abdullah joined the commission when it was established in 1975 to build primary petrochemical industry plants at Jubail on Saudi Arabia's east coast — now linked by pipelines across the desert to Yanbu on the Red Sea. Development has been carried out in concert with both the Saudi Basic Industries Cor-

poration (SABIC) and Petromin, the energy agency.

The two cities are the cornerstone of the country's industrialization and have reached new limits in joint-venture operations with partners from the United States, Japan, Taiwan, South Korea, West Germany, Italy and Finland, among others.

Jubail was a fishing village 18 years ago. Now its population numbers 50,000 and is expected to increase to over 250,000 after the turn of the century.

The whole area is a maze of glistening silver pipes feeding primary products and natural gas to power the plants. Through it all slices a black tarmac four-lane highway with a steady stream of constantly moving heavy traffic.

Says Prince Abdullah: "The twin cities of Jubail and Yanbu host over 100 light manufacturing industries to support a variety of needs — not only of the cities themselves but of our domestic markets generally. As construction, engineering and urban development projects, Jubail and Yanbu are unique industrial cities with state-of-the-art utility systems and infrastructure and a community environment program that has captivating esthetic form and a fully modern social services content."

Both Prince Abdullah and H.E. Mr. Hisham Nazer stress the need for greater private investment within the kingdom, not only directly from private companies but also in association with foreign partners.

"The government has made it quite clear that the ultimate responsibility for the industrialization of our country rests with private enterprise," says Prince Abdullah. "While it is true that the government has in-

tervened in the industrial sector in association with leading corporations of the world, the objective has always been the nourishment and growth of the private sector."

He points out that the present period of economic consolidation and industrial diversification has also provided the Saudi businessman with a chance to "remold his initiative. The high rates of return during the made-led boom years have to be transformed to lower rates of return spread over a longer period, particularly in the manufacturing sector."

Referring to future investment, Prince Abdullah said that, despite government spending constraints, capital scarcity was not a problem for the country's economic development. "The government has adequate reserves and, what is not always remembered is that the private sector holds almost as much reserves as the government itself. The tapping of this vast reservoir of capital is one of the primary tasks of the present phase."

According to Abdul Aziz Al Zamil, Minister for Industry and Electricity, Saudi Arabia has more than 2,000 operational factories and manufacturing plants representing an investment of \$16 billion.

"We want competitive, viable industries which can generate a net national economic benefit," says the minister.

Encouraging greater private and foreign investment in Saudi Arabia is now a number one priority. Prince Abdullah and the Royal Commission hope that potential foreign investors will look closely at Jubail and Yanbu and see for themselves that Saudi Arabia is open for business.



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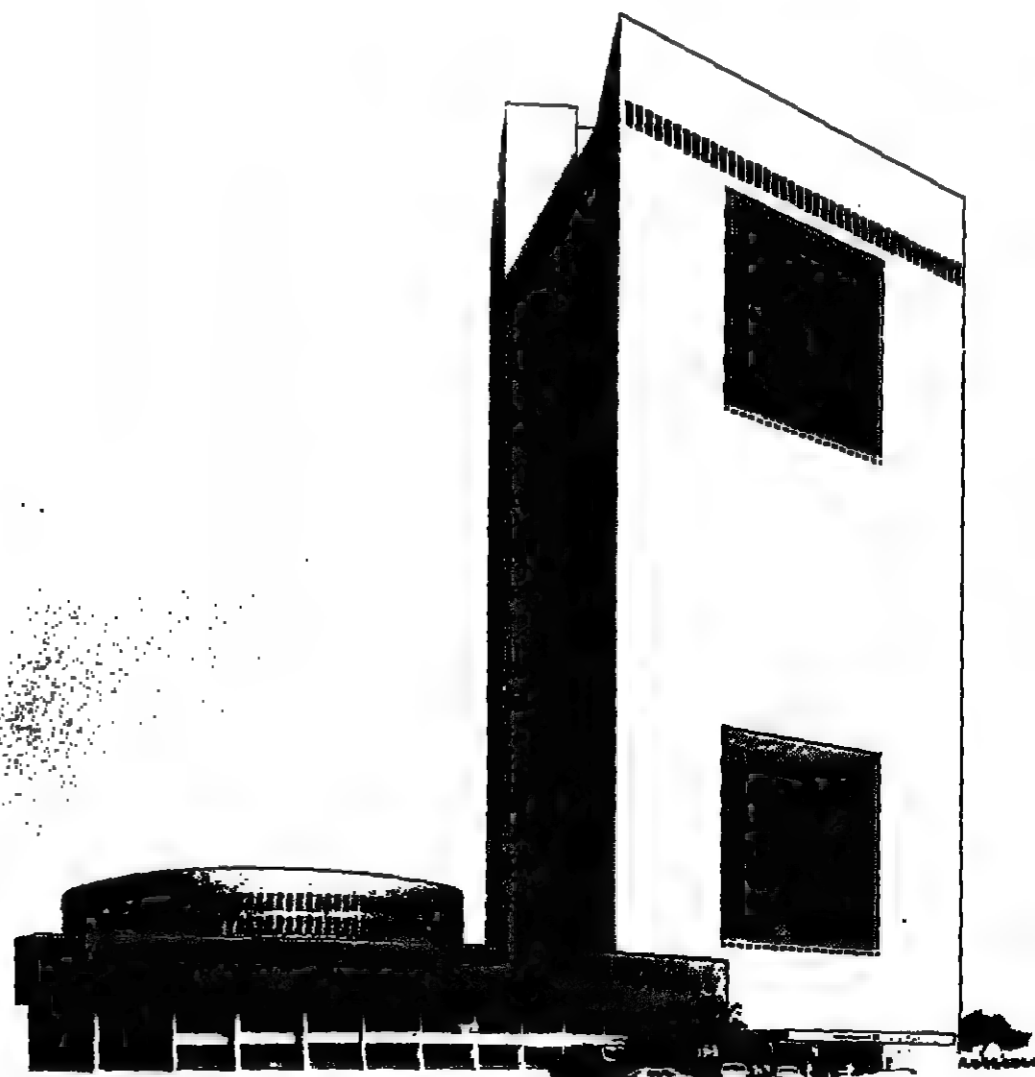
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Saudia's modern jet fleet includes the Boeing 747-300.

Saudia Continues to Expand Routes and Upgrade Services

THE past year and a half has not been a particularly easy time for airlines operating in and out of the Middle East. For several reasons, primarily economic, traffic has dropped considerably. Yet for the biggest airline in the region, there has been little cause for complaint.

The number of passengers carried by Saudia last year (10.5 million) may have been below the 1985 figure by half a million, but its market share was up 2 percent. It was the same story with cargo; boarding was down in line with the regional market trend, but Saudia's share of the international air cargo market was up 1 percent and sales were up 7 percent.

Saudia has not only stood up to the changed conditions with minimal loss in terms of profit and passenger traffic, it has continued to expand. New routes have been brought into operation, to Dacca and Kuala Lumpur, and others to the Far East are planned. The Far East is seen as the main area of development.

Similarly, aircraft and services are being updated even though Saudia, with

110 aircraft, most of them wide-bodied, already has one of the most modern fleets in the world. But while most U.S. or European airlines would consider that at 15 years, their aircraft still have a good few years' service in them, Saudia's policy is to replace after about 12 years. It is rumored that it will start looking to replace its 10- to 12-year-old fleet of Tristars in the near future and although the airline operates a mix of aircraft, there is every possibility that it will be looking to Boeing for replacements. The majority of its planes are already Boeings.

Saudia's continued success, despite the downturn in regional traffic, is all the more remarkable given that 70 percent of its passengers are carried at a loss. Saudia operates a cheap fares policy on domestic flights in line with government wishes that travel within the kingdom should be accessible to all. The company makes its profit, and a handsome one at that, from the 30 percent of passengers who fly internationally.

The need for cheap fares within the kingdom is fairly self-evident given the terrain and the large distances

involved. Apart from the United States, no other country has as many people per head of population traveling by air. Last year seven out of every 10 people traveled once by air within the kingdom. That compares to the figures in Britain, for example, of one in every six. (In the United States, everyone takes approximately 1.4 internal flights a year.)

Given the Saudi propensity to fly, it was not surprising that investment in a new generation of airports was deemed necessary more than a decade ago, especially in those acting as international gateways — Jeddah, Riyadh and Dhahran. In all three cases, the existing airports were located in urban areas that effectively prevented expansion to meet the anticipated growth in air traffic.

International Airport Project, a division of the Ministry of Defense and Aviation, was set up in 1976 to oversee expansion plans. Since then new airports have been opened in Jeddah in 1981 and Riyadh in 1983. The \$2 billion Dhahran airport, which will be called King Fahd International and will serve as the kingdom's eastern

gateway as well as the regional hub for domestic travel, is expected to be operational by late 1989. It will have a capacity of 10 million passengers a year. The terminal is already structurally complete; work is currently being carried out on a 6,000-square-meter mosque to accommodate 6,000 worshippers.

When it does open it will not be the end of the road. Like London's Heathrow, which has been called the world's only permanent building site with its own airport, development and expansion will be a regular feature of life at Dhahran, as it will be at Jeddah and Riyadh.

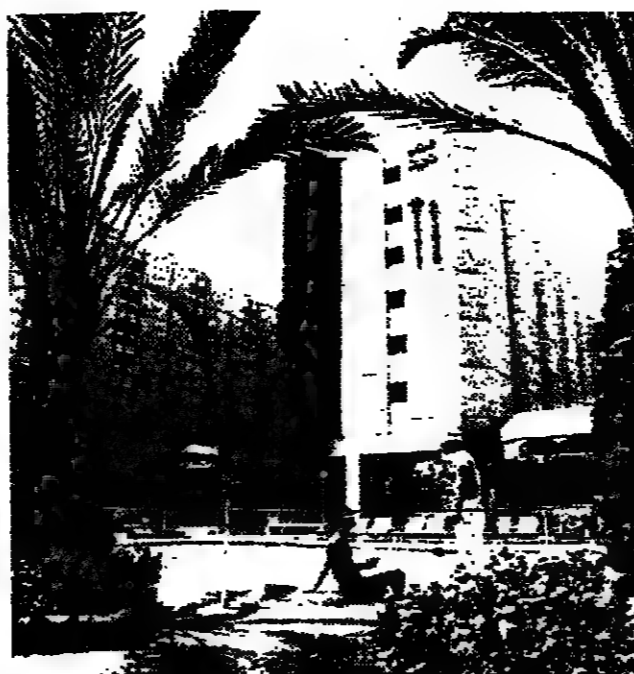
There are already plans for a second, 16 million capacity terminal as well as for an accompanying mass transit rail center and the main bus headquarters for the region. Both Aramco and Petromin, the state oil corporation, intend to build their own aviation facilities on site.

However, the whole question of expansion at Dhahran depends on demand. It had originally been projected that the new airport would be handling 5.5 million passengers by 1990, but this has been revised downward to 4 million because of the effects of the new Dammam-Riyadh highway and Bahrain causeway. Both have siphoned off potential traffic. In Jeddah's case, there has been little such competition, which is why plans are in hand for another terminal to meet Saudia's anticipated growth in demand over the next 10 to 15 years.

If that growth becomes a reality, and there is every chance it will, then Saudi Arabia will overtake the United States as the leading air traveling country, in per capita terms.

— Michel Dalmonak

Hotels: Intense Competition Sharpens a Tight Market



Marriott Hotel in Riyadh (above) and Jeddah (below).

THE market in Jeddah is good, Riyadh is tougher, and the Eastern Province is murder, says Gary Gagnon of the Red Sea Palace.

Jeddah has year-around occupancy with business travelers in the winter and Moslem pilgrims in the summer. Riyadh attracts businessmen in the winter, but when the government moves to its summer capital of Taif, business drops sharply. The Eastern Province has too many hotels.

Because of the surfeit in major cities, the Hotels Department of the Ministry of Commerce has banned new hotel construction in Jeddah, Riyadh, Dammam, and Al-Khobar.

The response of hotel companies has followed two distinct lines. One group tried cutting rates to attract customers. This led to a general decline in rates, which some hotels resisted more than others.

Those that did not cut their rates have offered higher levels of service. In Riyadh, at least, it appears that they have won a greater market share and maintained higher average rates.

The Riyadh Intercontinental's new regional vice president of operations and general manager, Tom Krooswijk, says: "By the

time I arrived here, the fall in hotel occupancy in Riyadh had bottomed out. To add to this, the Intercon had an expansion with 100 rooms in October 1986, which wasn't making the job any easier.

"I saw that Riyadh hotels were reasonably priced and the quality was good compared to other hotel markets. It was also clear that figures showed that those hotels that just cut prices lost market share. I felt that businessmen were looking for service."

The Marriott hotels have performed strongly in Riyadh and Jeddah, pursuing a businessman-oriented policy. Fully equipped business centers and luxurious rooms are a plus. Further, in both Jeddah and Riyadh, the hotels are located in excellent locations close to main traffic arteries. In Jeddah, the Marriott is the city's newest luxury hotel.

In Riyadh, hotels that rely on airline crews have performed less well than

expected. They are now anxiously awaiting the opening of a new hotel at King Khaled International Airport, which will be competing for the same business.

The hotels that have performed best tend to be those with international partners. Marriott, Intercontinental, Hyatt, Ramada, Holiday Inn, Meridien and others have hotel operating agreements in the kingdom. The owners benefit from expertise as well as an international name and referral service.

Intercontinental also operates the government-only Conference Palaces. Its hotels are the Riyadh Intercontinental, the Taif Intercontinental, the Mekkah Intercontinental and the Abha Continental.

The Hyatt name is found in Riyadh, Giza, Jeddah and Yanbu.

Sheraton has opened Riyadh's newest 5-star hotel, the Atallah Sheraton Hotel, and operates hotels in Taif and Medina. Gustar operates the Red Sea Palace, in Jeddah, and the Al-Khobar Hotel, in Riyadh.

— Doug Graham



Albahrain Takes the Biscuit

FRESH baked cookies and drip-free domes are extreme examples of the private initiative shown by Saudi entrepreneurs. But, for Abdul Latif S. Albahrain's group of companies based in the Eastern Province at Al Khobar, they are the order of the day.

"Get rid of caution and hesitation," said Industry Minister Abdul Aziz al Zamil when addressing a group of businessmen earlier this year. He advocated a closer relationship between the state and private sectors and suggested that it was time for the private sector to take up both the slack and the strain as far as the

business scene was concerned.

This is precisely what the Albahrain group has been doing in the last few years as its activities steadily expanded. One of its latest ventures has been a major plastics manufacturing plant in the Jubail Industrial City — probably the largest industrial park of its kind in the world.

The Albahrain industrial group has established a joint venture with the American firm, Upjohn Polymer Inc., and a Spanish company, Synthesis Espanola, to produce 3,000 tons of polyether polys and blended polyurethane a year. The factory comple-

ments Albahrain's existing polyurethane manufacturing plant in Jubail.

For, with this new factory, Saudi Arabia can now produce plastic products from its own feedstock rather than relying solely on imported materials.

The Polyurethane Manufacturing Company's furniture division produces a wide range of lightweight yet sturdy tables, chairs and desks. Most of these polyurethane products are intended for public institutions from schools to hospitals.

As well as being functional, the furniture has considerable esthetic appeal and — above all — is resistant to ultraviolet light, often a problem with plastic furniture in the desert environment of the Gulf. The sun rots certain plastic materials, which then become brittle and break up.

Another design problem that has caused difficulties is insulating the underside of the thousands of domed buildings across Saudi Arabia. Albahrain has been able to overcome the problem by manufacturing a waterproof mixture of polyurethane and diatom that can be sprayed onto domes — and flat roof buildings as well.

The Minister of Industry has constantly stressed the need for greater import substitution within the Kingdom. Until comparatively recently it has not been an easy policy to fulfill.

However, a typical example in food processing is the manufacture of biscuits, crackers and cookies — another Albahrain venture that has become a major success.

In the new industrial city outside Riyadh a new aroma hangs in the air — the sweet smell of home baking on a massive scale at Albahrain's biscuit factory. It is housed in a long, low building on a corner site of the industrial park.

The factory has become a totally integrated operation using almost all locally produced raw materials.

Flour comes from wheat grown in Gassim, pure vegetable oils come from a refinery in Jeddah and many of the fresh eggs come from the chicken farms at Al Kharij.

Knowhow for the manufacture has been provided by West German and Swiss companies that have supplied some of the most up-to-date mixing, moulding and baking machinery.

Albahrain has been able to capitalize on its distribution network. There are ten principal centers in the Kingdom with their own sales and delivery teams that make sure customers only get the freshest baked biscuits.

Demand has proved to be so popular that Albahrain now exports its biscuits and cookies throughout the Gulf countries.

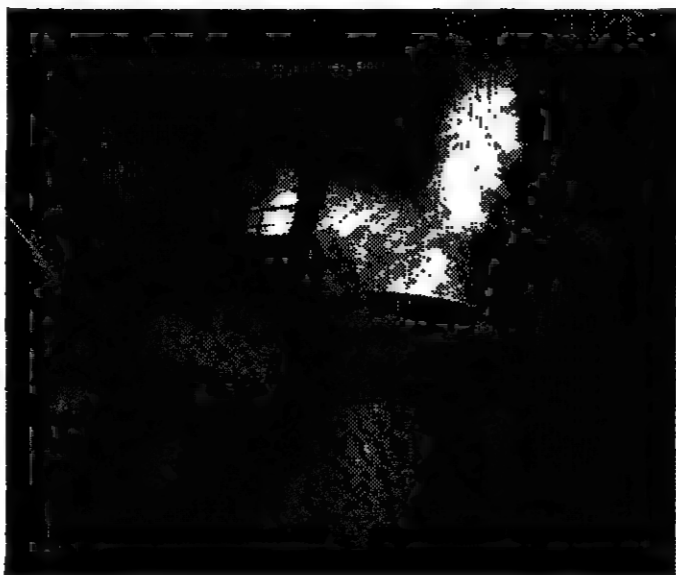
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REAL ESTATE DEMAND OUTSTRIPS SUPPLY

WHEN Gérard Jean and Hubert de Mont-Marin left Dupuy-Saatchi to found their own ad agency three years ago, they naturally looked for space in Neuilly. "We had always worked here," explains Mr. de Mont-Marin, "and our new agency needed the credibility that a chic Neuilly address could give us." The agency, Jean et Mont-Marin, first moved into a 300-square-meter town house, known as a "hôtel particulier." Two years later, after landing such important budgets as Pentax, Lancôme perfumes, Pan American Airways and S.T. Dupont watches, the partners set about looking for larger headquarters.

The search lasted more than six months and involved several real estate agents. The town house they moved into last month was built in 1784 and entirely renovated. The oldest of its kind in Neuilly, it is being rented to the agency on the basis of a 50-year lease with the town of Neuilly which owns it.

Three times larger than the agency's former house, it is also two and a half times as expensive. "The price we're paying has jumped from 1,000 FF to 2,500 FF per square meter and we had to decide if we wanted it in less than half-an-hour or it would have been grabbed by someone else," recounts Mr. de Mont-Marin.

becomes available, is taken right away."

Only five minutes from the Champs-Élysées, Neuilly is by far the most sought-after and expensive suburb of Paris. According to Françoise Vercaemer, of the international realtors Jones Lang Wootton, a major incentive for companies is the suburb's extremely low professional tax rate. At 7.917 percent (as compared to 11.667 percent in Paris, an average of 13 to 22 percent in the other Parisian suburbs and 27.297 percent in Aubervilliers to the northeast), Neuilly has the lowest company tax rate of the whole Paris region.

In addition, when companies started flocking to this then completely residential suburb at the beginning of the 1970s, the rents were cheaper than in most of Paris.

"When the commercial boom was at its height in the mid-1970s," recalls Mr. Labro, "we had thousands and thousands of meters available and sellers were forced to negotiate to be competitive." Since then the price of real estate in Neuilly hasn't stopped climbing. Over the past two years, with space increasingly rare and demand just as strong, they have soared 20 to 25 percent.

Office space is renting for 1,700 to 2,200 francs per square meter and selling for around 25,000 francs per square meter. That makes Neuilly property less expensive

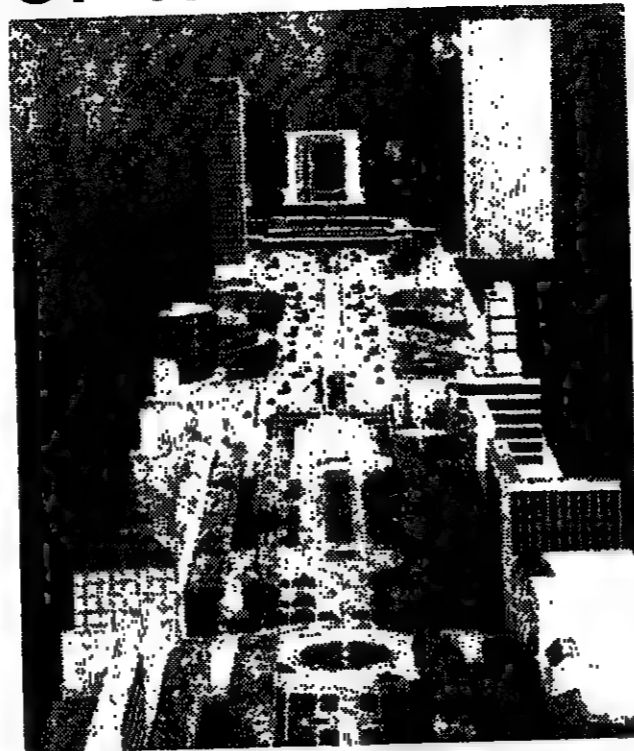
NEUILLY SUR SEINE

LIGHT AT THE END OF THE TUNNEL

WITH its tree-lined avenues and quiet streets, Neuilly could almost be mistaken for a peaceful provincial town — were it not for the avenue Charles de Gaulle, the main east-west road from Paris that currently cuts clean across its center. Every day, 150,000 cars take it to go back and forth to Paris.

The ideal solution — rerouting the traffic underground and creating a tree-lined pedestrian area above — might seem simple enough. Yet finding the appropriate financing has taken years.

According to the Mayor of Neuilly, Nicolas Sarkozy, one reason why the current one billion franc project has succeeded where others failed is because of the decision to cover only part of the avenue at a time. The 435 meters of tunnel for car traffic is only the first step but, as Sarkozy says, "it was important to begin."



A preview of the finished project.

regulations restrict commercial activities to the northern extremity of the suburb and the area on both sides of avenue Charles de Gaulle. Practically three-quarters of Neuilly are reserved for residential housing.

"The 1951 Urbanization Plan sheltered Neuilly from the over-development that many towns experienced in the wake of post-World War II construction," states Thierry Gaubert, one of mayor Nicolas Sarkozy's close collaborators. Stringent restrictions govern the height of buildings and their appearance. The town's trees are safeguarded, as are its gardens.

Such regulations have enhanced the value of the suburb while contributing to the rarity of space and the difficulty of construction. Mr. Gaubert estimates the number of new constructions at three or four a year. These usually involve the demolition of town houses which are difficult and expensive to keep up. Their owners will sometimes exchange them for a floor of the apartment house built in its place.

Many old-time Neuilly residents regret the disappearance of the private houses that covered the suburb half a century ago. Of the remaining 400, only the 300 located on private streets (dead-ends accessible only to occupants and their guests), are protected from demolition by municipal legislation. Many of the others will eventually be replaced by

apartment houses or office buildings in zones where commercial activities are allowed. Yet despite the cost of a town house, anywhere between 10 and 25 million FF, there continues to be a strong market for them. A turn-of-the-century town house near the Bois de Boulogne (the largest park in the Parisian area), with 300 square meters of living space and a 150-square-meter garden, recently sold for 15 million francs.

According to Noelle Portier of Neuilly-Paris-Ouest, one of eight realty agencies based here, Neuilly is the perfect combination of city and country living. "Bordered by the Bois de Boulogne, we have numerous municipal gardens," Ms. Portier points out. "What's more, most apartments have large terraces or balconies, while town houses have gardens." One of the few vacancies currently available at Neuilly-Paris-Ouest, for example, is a four room apartment in a modern building with 120 square meters of living space, a 180-square-meter terrace and parking. It is selling for 4.7 million francs.

Such luxury, so near to the center of Paris, is not within everyone's reach and over the years Neuilly has become a rich man's suburb, a status symbol for its residents. According to Daniel Calais of the Department of Urbanism at Town Hall, the average selling price in the residential market is 35,000 FF per square

meter, up 20 percent over the past two years. Renting has become so expensive that the market has virtually disappeared.

A combination of lack of office space, high prices and congestion along the main streets has sent some companies north or farther west. Nonetheless, the real estate market in Neuilly is expected to remain as tight as it is

today, with demand high and the vacancy rate low. Nobody can predict whether prices will continue to climb as they have over the past two years, nor how much people are willing to pay for space here, but no other suburb of Paris and few of its districts offer the convenience, amenities and prestige of Neuilly.

—Joyce Wakmann

THE NEAR WEST REDISCOVERED

LOOKING at Neuilly as it is now, with its fine boutiques, bevy of businesses, and sumptuous homes, it is hard to imagine that this area was once a plot of swampland. But that was back in the days when the potato was still nouvelle cuisine.

In 1786 Antoine Parmentier presented his first crop to Louis XVI. The vegetable — formerly confined to the Limousine area of France — swiftly became so popular that Benjamin Franklin found himself at a dinner where the menu consisted of nothing but potatoes in every possible form.

The pastoral past disappeared as thousands of companies discovered Neuilly's proximity to Paris, greater greenery and pure air. "The challenge now," as explained by Mayor Nicolas Sarkozy, "is to preserve the ecology of our town. We want the green of parks and gardens and trees to be the color of our city."

Efforts to preserve the trees and parks began back in the 1950s under Achille Peretti, the former mayor. Since then the city has blossomed into the home of 3,135 businesses employing 35,000 persons in 800,000 square meters of offices, mostly on the avenue Charles de Gaulle and the Ile de la Jatte. Yet building restrictions have preserved the city's 248 hectares of parks and gardens, guaranteeing the 65,000 inhabitants of Neuilly some 38 m² of park area per person.

No wonder 50 percent of the residents are either company presidents, professionals or top managers (not to mention

the diplomatic population which live in the city's 24 foreign embassy residences). The 64,450 inhabitants currently pay 1 percent of the total income tax paid in France and 24 percent of those in the Department of the Hauts-de-Seine.

Neuilly's commercial sector is equally upmarket. As a crossroads of communication, it houses 400 companies in the fields of radio, television, publicity and publishing.

As early as the 1930s, Chanel Perfumes moved in because, "we had a presentiment of the luxurious character of this site," says a spokesman for the company. Since 1980, Yves St. Laurent Perfumes has also been based on the Ile de la Jatte and, next year, will be joined by Paco Rabanne.

Building and refurbishing projects account for 63.48 percent of the city budget. Massive projects such as the 40 million franc remodeling of the Place du Marché are being financed by city hall in conjunction with private companies to relieve the burden on the taxpayer.

In a master-stroke of combining good living with sound urban planning, the city has also found a solution for the busy — and noisy — traffic on the avenue Charles de Gaulle. And work is forging ahead on the installation of a total cable network for mid-1989.

As Renée Michelangeli-Peretti, daughter of former Mayor Achille Peretti and director of Neuilly Journal Independent concludes: "You cannot prevent change, but you have to manage it well."

—Harriet Welty-Rochefort



Secluded homes in quiet streets.

The difficulties encountered by Jean et Mont-Marin in finding space and the price they had to pay to stay in this prestigious suburb of Paris are by no means unique. "A company that wants to move into Neuilly today has to be extremely determined and patient," states Robert Labro of Jean Thourard, one of France's top commercial real estate consultants. "Whatever space

is available, is taken right away."

Only five minutes from the Champs-Élysées, Neuilly is by far the most sought-after and expensive suburb of Paris. According to Françoise Vercaemer, of the international realtors Jones Lang Wootton, a major incentive for companies is the suburb's extremely low professional tax rate. At 7.917 percent (as compared to 11.667 percent in Paris, an average of 13 to 22 percent in the other Parisian suburbs and 27.297 percent in Aubervilliers to the northeast), Neuilly has the lowest company tax rate of the whole Paris region.



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Specialties from Quercy
Game - Canard au Sang

Business lunches - Dinners
Closed on Sundays

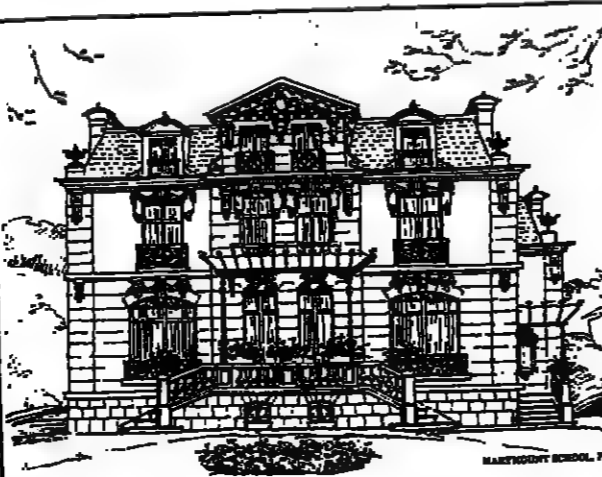
17, rue Paul Chatrouse - 92200 NEUILLY-sur-Seine
Tel.: 47.47.73.17



**THE WORLD
BEST
CHOCOLATES**

GODIVA
160 av. Charles de Gaulle
92200 Neuilly-sur-Seine
tel.: 46 24 0824

Makers of Chocolates,
Candy, & Ice cream



Marymount School

72, bd de la Saussaye
Neuilly-sur-Seine 92200.
46 24 10 51

"Marymount has been serving the Paris community since 1923. Today, it offers an American curriculum to boys and girls, ages four to fourteen."

"For information, please contact the Headmistress."

"There are three steps to Heaven..."

Eddie Cochran

PLANET

The Restaurant That Opens Heaven's Gates

6, rue du Cdt PILOT 92200 NEUILLY
46 40 08 88



Ile de la Jatte, Neuilly's offshore center.

NEUILLY INTERNATIONAL

THE APPARENT PERSUADERS

IN Neuilly the admen remain. Less brash than Madison Avenue, more spacious than Soho, the area currently houses at least 110 agencies. Despite takeovers, mergers and new firms being founded, the cast of characters remains fairly constant.

Havas was one of the first to arrive and, some claim, started the westward trend single-handed. In its latest incarnation as HDM, the giant group is now represented on three continents thanks to international tie-ins with Young and Rubicam in the United States and Dentsu in Asia.

Belier is another worldwide presence, with offices in Neuilly, Soho, Madison Avenue and Hong Kong. Its philosophy is to create national campaigns within an international framework. For, as Pierre Lecosse explains, "With a few notable exceptions such as Coca Cola or Marlboro, cultural differences

make it impractical to run the same campaign in every country."

"In France advertising is generally more emotional than in the United States. French people don't like to be advised or even informed," confirms Evelyn Soun, mar-

keting director of Audour, Soun, Larue/SMS.

Both Belier and HDM are linked to Eurocom, which last year reached a turnover of 15 billion francs. Of this figure, 10 percent was in the U.S., 40 percent in Europe and the remainder in France. The president of the company, Bernard Brochand, oversees this empire from his office above the avenue Charles de Gaulle.

Barely a mile away, Dupuy Saatchi & Saatchi Compton is based, like D.P. Industries, its industrial affiliate, on the Ile de la Jatte. Back in 1973, when its current headquarters were built, the move was considered something of a novelty. Now, according to Didier Colmet Daage, "I believe that the Ile de la Jatte has the potential to become the Ile St. Louis of the 21st century."

For, along with international agencies like DMB&B, Neuilly naturally attracted other communications specialists. They now number some 400 in all, including film companies such as UGC and publishers such as Hachette. Neuilly Communications celebrates their presence with its annual Festival de la Pub, currently being held at the Théâtre de Neuilly. As more companies drifted away from the

city center and across the river into La Défense, the agencies continued to follow. But they preferred the peace of Neuilly to the bustle of the new commercial sector. Along with its relatively low overheads, it offered the added advantages of an upmarket area, five minutes from l'Etoile.

"Our clients are happy to see us here," says Jean-Louis Courtois, of Pema 2B. The agency, which concentrates on high-tech and aerospace accounts, deals with over 500 international publications from its home on the island.

For small and medium-sized companies the trend is toward specialization. A recent arrival, Jonction, applies its expertise to recruitment advertising in national and business media. While Mao concentrates on its long-standing relationships with a few select clients, Prominter is anticipating pan-European business in 1992.

— Christopher James



Neuilly's pioneer ad agency.

HIGH-TECH HOSPITAL

AT first sight, with its elegant facade and bright, striped awning, the American Hospital of Paris could easily be mistaken for a hotel. The illusion is almost complete as visitors enter the hushed reception area, for the familiar clinical smell is nowhere in evidence.

Behind the scenes, the hos-

pital is a hive of activity. Around-the-clock care is provided by teams of nurses and technicians, who outnumber the patients by nearly three to one. The emergency services, which are on constant call for everything from road accidents to toothaches, deal with 12,000 cases a year while the outpatients department treats a further 80,000. Yet, within

center is also numbered among the most successful of its kind.

All this began in 1906, when members of the American community in Paris decided to introduce a hospital that could combine American style medical treatment and an English-speaking staff. Built on the site of one of Louis XV's summer homes, it first opened its doors in 1910. In the 1930s it expanded from 10 private rooms to a 120-bed hospital. By the mid-'60s an extension was needed to make room for a Department of Nuclear Medicine. In 1978 another wing was added. The latest project is a new, 6-story extension which will house an amphitheater and library as well as three floors of parking for 200 cars.

Though its name is often linked with the rich and famous, it is not an exclusive sanatorium. According to Mr. Dial: "We have this image, but 95 percent of our current clients are not in that category at all. They are just looking for the best quality health care."

As Treasurer Bob Mehl notes, the American Hospital is a non-profit-making organization. "Everything goes back into plant and equipment. The hospital receives no subsidies here or in the United States."

Much of its success is due to the tireless efforts of the board of governors. Mr. Dial, who is head of worldwide sales and marketing for Peugeot, has been president since 1978. He says: "I have tried to bring people with business skills to the hospital. We have tried to apply our day-to-day skills in financial and management planning in a new environment, and to our satisfaction, found them to be applicable."

Since the 1980s, the annual level of investment has risen from approximately 5 million francs to its current level of nearly 20 million francs. Today about 60 percent of the hospital's patients are French, 20 percent are American and the remainder come from 100 other nations. But still it remains its identity, and remains the only private hospital in Europe to be recognized by the U.S. Joint Commission on Accreditation of Hospitals.

Mr. Dial's pride in this achievement is genuine. He enthusiastically explains how the extra space will be used "to make another floor for international medical exchange and conference library, for doctors' offices, outpatient services and administration — all of which will, in turn, free more space for other services." But, clearer of all, is his explanation of the reasons behind all this voluntary effort: "I really do like helping people. I like saving lives."

— Christopher James



Eighty years of American style medical treatment.

UNDERSTANDING EDUCATION

THERE was an air of festivity on the Marymount campus despite a steady and relentless downpour. In the hallway, cartoons were brimming over with canned and packaged food which, explained Sister Maureen Vellon, the headmistress, were destined for the poor. Downstairs in the kitchen, some of the children's mothers were preparing a special Thanksgiving meal complete with turkey, cranberry sauce and pumpkin pie. The excitement of the students was almost tangible.

All in all, the atmosphere was most extraordinary. A Thanksgiving dinner served in a school night in the heart of Neuilly is unusual in itself. Even more surprising is to find parents, usually regarded as an interference by most schools in France, involved in school activities. "We consider our parents as the central educators in their children's lives and they provide us with invaluable help," explains the headmistress.

Founded by the Religious of the Sacred Heart of Mary in

1923, Marymount is a private Catholic school that provides an English language program based on an American curriculum from pre-kindergarten to grade eight. One period of French is given each day by native teachers and for the minority of French students there's a course in English as a foreign language.

Of the 265 children attending the school, 90 percent are American, and the others represent 36 nationalities. Most of the children are in France temporarily with stays usually lasting about three years.

"Many children experience real difficulties when their family is transferred," says Sister Maureen, adding that the most trying age is around sixth grade. The international staff is able to give them quite a bit of individual attention since classes are small: no more than 20 and sometimes as few as ten per class. The school also has a resource center with specialists in learning, speech, language and psychomotor problems.

After school, the children

have a choice of a wide range of extracurricular activities including basketball, tennis, swimming, karate, dance, music, drama, art and computer science. On Saturday mornings the parents run a sports program for the children, acting as organizers and coaches for the "closest thing to the little league this side of the Atlantic," according to Sister Maureen.

Marymount offers a two-track religious program for its Catholic children (more than 90 percent of the students) and for those representing 17 other religions. During the three periods of religious education each week, the non-Catholics study world religions. "Here again the parents are a big help," explains Sister Maureen. "We often ask them to come in and share the meaning of their religions with the children."

One of the major goals of the school is to encourage an understanding of the differences in cultures and faiths throughout the world. "Above all, we believe in the education of values such as

honesty and personal responsibility," says Sister Maureen.

Each morning during the week of Thanksgiving, the headmistress spoke to the children over the PA system. She asked them to reflect on their families, their schools and the country they are now living in, to think of someone to whom they were particularly grateful and to thank that person.

Cheery and rosy-cheeked, Sister Maureen stands out as a welcome contrast to the usual tight-lipped and stern school principal. As a child, she spent 12 years in one of the American Marymount schools. Attracted by the Sisters' devotion to each other and to the children, she in turn decided to join the community and devote herself to the education of others. She has been at the Marymount school of France for two years and declared in the November school newsletter that of all the children she has seen over the years, "the group that arrives here each day is, without a doubt, the happiest I've ever seen."

— Joyce Wakmann

RESTAURANT

Traditional cooking
Specialties

- Crock of snails with fennel
- Poached eggs florentine on toast
- Sliced Paprika beef kernel

LA BOUTARDE

Closed Saturday noon and Sunday
4, rue Boutard - 92200 NEUILLY
Reservations : 47.45.34.55
47.45.57.84

Restaurant

LE MANOIR
Gastronomic cooking.
Chef: Alain Albat

L'EN CAS DU MANOIR
Rapid restaurant
Wine bar

Closed Sunday
4, rue de l'Eglise, 92200 NEUILLY S/SEINE 46.24.04.61

JARRASSE

The fish specialist
Oysters - Seafood - Shellfish - Crustaceans
from the fish tank - Bouillabaisse
Fennel grilled perch
Grand Marnier millefeuille pastry

PRIVATE ROOMS

RESERVATIONS 46.24.07.56 4, av. de Madrid 92200 NEUILLY TAKE AWAY 46.37.16.52



175, Avenue Charles de Gaulle, 92200 NEUILLY
Tel.: 46.37.17.56

• Auvergnat and Southwest specialties • Choice steaks from our grill • Our sauerkraut • Our seafood



Lunch - Dinner
12 bd de Levallois (Ile de la Jatte) Neuilly 46.24.25.04.
Closed Sunday



RESTAURANT

Tel.: 47.38.61.85

1 Boulevard de Levallois (prolongé) Ile de la Jatte (92300 Levallois)
Closed Sunday and Monday evenings

CAFE LA JATTE

Warm weather terrace
Private parking
Tel. 47.45.04.20
60 bd Vital Bouhot (Ile de la Jatte) 92200 NEUILLY
closed Saturday noon



RESTAURANT

SANGRIA

LOBSTER Brochettes

Valencian Paëlla

Quail in Escabeche

209 ter, av. Charles-de-Gaulle - 92200 NEUILLY S/SEINE
Tel.: 46.24.07.87
Closed Saturday noon and Sunday

RESTAURANT LA RASCASSE

Louis FRANZA

Oysters and shell-fish - Daily fish special
Live crustaceans

10 Av. de Madrid, 92200 Neuilly. Tel.: 46.24.05.30.
Closed : Saturday and Sunday.



Ile de la Jatte

Restaurant CHEZ YAU

Chinese and Vietnamese specialties

217 Boulevard Bineau
92200 NEUILLY/Seine

Tel.: 46.24.02.38 Open daily.

The Italian of Neuilly

LIVIO

Restaurant

You will appreciate real Italian cooking
(it is wise to reserve)

Tel.: 46.24.81.32

6, rue Longchamp, 92200 NEUILLY - Daily

CARPE DIEM

CHEF DE CUISINE : SERGE COQUOIN

10, RUE DE L'ÉGLISE
92200 NEUILLY-SUR-SEINE

TÉL. : (1) 46.24.95.01

MÉTRO PONT-DE-NEUILLY

BETWEEN NEUILLY AND L'ETOILE

LE PRESBOURG

3, av. de la Grande Armée, 75116 Paris

At the foot of the Arc de Triomphe, the sea delivers its most appetizing treasures. A fine selection of seafood for the connoisseur.

Live Lobsters
Menu 92 francs per person
Continuous service until 1 a.m. every day
Private room for business meals

In the Ile de la Jatte

La Ferme de la Jatte

Traditional cooking

Business meals

Terrace - garden

Reservations: 46.24.69.18

Closed Saturday and Sunday

195 bd BINEAU 92200 Neuilly/Seine

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ADVERTISING SECTION

ADVERTISING SECTION

IDEMEDIA'S CAMPAIGN PLAN

A STONES throw away from the bustling Pont de Neuilly metro and close enough to hear the boats on the Seine, the offices of Idemedia are located on a peaceful suburban street lined with trees. But the calm outside belies the activity within. Idemedia is one of the hottest names in the French media world today. From its birth in 1980, the company has increased its turnover ten times and this year it will top two billion francs.

For a space-buying group, the last year has been one of enormous transition. Any company involved with the media has been affected by the increase in the number of TV channels from three to six, and the accompanying explosion of ad space. But Idemedia is used to rapid change.

In the space of seven years, the company has spun off eight satellite groups in Paris and established a network of five affiliates abroad. At the head of this dynamic group is its founder, Daniel Adam, former CEO of McCann Erickson in Paris, and a man with a deep knowledge and understanding of the French advertising world.

Idemedia's business is not one that the general public knows much about. In the trade it is often called block space-buying, although this catch-all phrase does not cover the extent of Idemedia's activities.

Block Buyers

The traditional block space buyer has a clientele of companies, all with substantial advertising budgets. His job is to buy space in the media, i.e. television, radio, press and billboards and to negotiate the lowest rates possible on behalf of the client. Because he buys more he gets it for less.

In the old days in France, the client paid 15 percent to the ad agency media department for this service. Today he often pays as little as 3 percent to a block space buyer.

Currently, 66 percent of all French media buying is done outside the ad agency's traditional structures. Idemedia, however, is a block buyer with a difference.

Nicolas Lebeuf, newly appointed president of the Idemedia "directoire" and Daniel Grojean, director general, are the first to admit that their company had the advantage of being a latecomer.

"We arrived on the scene when block-buying was already well established in France," says Mr. Lebeuf. He salutes the group, GGMD, led by Gilbert Gross who introduced the new concept in the sixties.

By 1980, Gilbert Gross was the unconnected volume leader. No one could beat the price discounts he offered. But Daniel Adam, assessing the situation, came to the conclusion that there was room for a new approach.

Media Planning

Major changes were taking place in the way media research was being done, thanks to new technology. Mr. Adam became convinced that the time was right to introduce a rival media buying service which would also incorporate the latest methods of media planning research.

Mr. Lebeuf explains: "Our argument was: what's the use of buying a page of advertising or a radio spot, no matter how cheap, unless you know what it's really worth?"

In other words, Idemedia introduced the notion of quality added to quantity. The company made its mark by offering competitive prices



Idemedia founder and head Daniel Adam.

linked to sophisticated media planning and analysis.

"It took three years to construct the first generation of software models," Daniel Grojean says. He fondly remembers the day not so long ago when media planning was a matter of pencils and paper. It also took time to educate new clients. First, Idemedia broke with tradition by analysing the efficiency of media plans at the real price paid.

Their sales staff demonstrated that the optimum media plan was not the same when calculations were based on the discount price. Radio, for example, offers discounts up to 40 percent off the stated rate while television gives nothing. Meanwhile, competitors continued to work from rate card prices.

Targeted Campaigns

Idemedia also redefined the way campaigns were targeted. The old-fashioned identification might talk of housewives from 25 to 49, in top categories A and B, living in Paris and major towns with a population of 50,000. Idemedia showed how this could be refined. Thus for Baby Food, the potential buyer or target is the young mother with children between three months to one year. For Car Food, the ideal target is not the ordinary housewife but car owners.

Media plans from Idemedia concentrated on target identification. This was allied to the most recent analysis in lifestyle research. In 1984, they

were ready to establish a full-fledged media research center, baptised Credome (Centre de Reflexion, d'Etudes et de Documentation sur les Media). The Credome, headed by Alain Farodi, recruited a team of 30 people whose job was to perfect and update data banks for the entire group and to develop models for specific and original research.

Research Investment

With this major investment in research, Idemedia managed to attract an increasing number of clients from the ranks of the medium-sized companies. They also embarked on a policy of alliances with the non-aligned advertising agencies — those agencies who had not yet established block-buying facilities.

The list of affiliates today is an impressive one: Universal Media with McCann Erickson; Erude Creative Media with Groupe Châtel; MIA with Agency DJW; Objectif Media with Gilbert Donat; Mediasplan with Agency Rythme Alpha; Starmed with the Groupe Expand; O'Media with Agency Hausfelle; and Mediapower International with Agency: GFRP. Each agency has the benefit of the Idemedia research and know-how but retains a majority control of the affiliate.

Now that the newly created software for television research is in place, the Idemedia group looks forward to the future with a certain tranquillity.

COMPUTER SEARCHES FOR SELECT AUDIENCE

SWEDEN still bans TV advertising totally; the Germans ban it on Sundays; the British BBC has never allowed it but might change its mind soon. Grudgingly, television in Europe is opening up to advertising, and of all the EEC countries, the French are now the most advanced along this highly regulated route.

American companies, accustomed to almost total liberty in buying space for TV commercials at home, are driven mad by European TV restrictions. They complain that the space available is never enough. Worse, the regulations, priorities and exceptional demands which change from country to country seem unnecessary and costly.

For example, the word "happiness" cannot be used in a French TV spot. Children cannot appear alone in many countries. Certain scenes like smoking or even marijuana are arbitrarily banned to protect local interests.

One of the most mind-boggling demands is that media plans for TV must be drawn up in September and booked for the entire year to come, regardless of developments in ratings.

Advance Booking

In France the explosion of new TV channels has broken down old rules without making the new rules clear. TF1, the recently privatized channel, still requires advertisers to reserve space ahead but the timespan is down from one year to six months. The two government channels work on the old year format but they now ask advertisers to reserve all space by March.

Currently, there are no less than four accepted audience rating groups in France. But none has yet emerged as the recognized standard. This makes audience ratings a great guessing game.

Software Plans

To counter the minefield of restrictions, old and new, Idemedia has gone back to its computers and come up with

a grand total of six software plans to help out the confused advertiser.

The following dialogue, devised to explain the situation to the hapless company director, goes a long way to illustrating the dilemma.

Q: We advertisers are concerned to get the best out of the TV time we buy. But it seems like an impossible dream.

A: Not at all. You give us the target and we give you the best combination media plan among the thousands possible, thanks to our software model, MYRIAM.

Q: I want to believe you but in fact we never seem to be able to buy the optimum. All these priority rules and incompatibilities (not being able to appear with similar products in the same group of spots). What's the use of a great theory that can't be applied?

A: Our model, MYRIAM, not only gives you the best plan but then it gives you, in order of merit, a list of alternatives for the time spots refused.

Standardized Polls

Q: But what's the basis of this plan? We don't yet have an accepted standard of audience measurement. Each poll contradicts the other.

A: It's true that each audience study has its advantages and disadvantages. We screen them all, take out the bugs and keep the best from each one. This provides us with our own unique data bank which we call DATA MIX TV.

Q: You mentioned that you were able to construct an optimum plan taking into account the rules and regulations. Have you found a method to reduce the number of time-spots refused?

A: Yes. Our software program, SIMUL TV, analyzes all the 140 products we currently handle for TV. It simulates the exact priority rank and incompatibilities which are used by the TV channels in their calculations. With 140 products we are able to make exchanges from among our own clients' spots and bring down the refusal rate.

Q: Heavens! 140 products!

How can you follow all those campaigns at the same time?

A: Thanks to our software, ECRAN TV, all the campaigns are entered on the computer, even to the last detail, including updates of changes. Suppose there is a strike on TF1 Wednesday next. Within 10 seconds, the computer sorts out all the advertisers with a TV spot on that date. We can instantly make the necessary changes.

Audience Movements

Q: What worries me the most in TV is the unpredictability of audience movements. When you have to make a plan for October six months ahead of time, obviously you can't do the best job.

A: This is why we have LEVEIL TV, software which follows changes in viewer's preferences. Beginning this year, we have tracked 1300 to 1400 spots on the six channels. By running this information through our software INFORMATV, we can assess the performance of a campaign at any given moment.

Q: Yes, but you're talking about the past. I'm interested in the future.

A: Exactly. But we have also developed, with Public Media Service, a new tool for predicting audiences in two ways: TELESPOTS and TELEMETRE. We can change a campaign plan anytime up to eight days before, if audiences' predictions are not satisfactory.

Rating Points

Q: I see you're well prepared. I guess I can just follow along with my eyes shut.

A: No. Keep your eyes wide open. We give you the means to check up on our work thanks to MESUREX TV. This is a program for the advertiser to verify whether we have succeeded in improving his gross rating points with each campaign. You know whether we have brought down the costs and insured a greater productivity. Isn't this what you are looking for when it comes to TV ad-spends?

MAJOR EUROPEAN NETWORK

THE guru of globalism, Theodore Levitt of the Harvard Business School, hit the headlines in the early '80s with predictions that all business would soon go global. National barriers would come tumbling down as satellites went spiraling up.

Like all gurus, Dr. Levitt was ahead of his time. Global business continues to run into practical problems like language barriers and conflicting customs and traditions. But the underlying trend is there, reinforced by the commitment of the EEC countries to create a single European market by 1992.

Integrated Market

"We know the day is coming when media buyers will treat Europe as one market," says Nicolas Lebeuf, President du Directoire of Idemedia. This is why the group is already positioned across Europe. So far, they have established majority-owned affiliates in six countries — France, Germany, Spain, England, Sweden and Switzerland. The genius of this pan-European organization is that Idemedia's partner in each country also occupies a leading position in the national market. It is a true association of Europe's top professionals in the business. The first Idemedia clients to take advantage of the new network were the U.S. multinational, Johnson Wax, and Bongrain, the French cheese group.

The fact that a French company is the driving force behind this European union is not a coincidence. A look at history shows that media buying in blocks actually originated in France back in the '60s. The biggest French advertiser, l'Oréal, showed the way by combining its huge advertising budgets in-house. This stripped its advertising agencies of all but the creative role. Savings on the usual 15 percent commissions were enormous.

Buying Power

Because all ad space is traditionally negotiable in France — with the notable exception of television — l'Oréal could buy radio spots and press space at a better rate than its confederates. Soon the giant Havas ad agency group followed suit and pooled its space buying power to give clients the



Nicolas Lebeuf, President du Directoire.

benefit of 20 percent in discounts. Arch-rival Publicis followed.

The climate was right for a new breed of media independent, one not affiliated with an ad agency. The pioneer was Gilbert Gross, who bought up huge chunks of space and sold them at prices so low that he soon cornered a major share of the market.

In the mid '70s, the ad agencies fought back to form their own centralized buying groups. Some elected to place their business through the media independents.

By 1980, only nine of France's top 100 advertisers were buying their media through a full service ad agency.

Discount Prices

Just when the revolution seemed over, Idemedia arrived on the scene with a new and distinctive concept. Based on advanced software, they could offer quality research and optimum media plans at competitive discount prices. It was the right formula for the right moment. Today, the war with the agencies is over. Idemedia has set up eight local affiliates in France, each one with a different ad agency as partner. The agency retains majority control and contributes its budgets while Idemedia supplies the media expertise.

Idemedia's European expansion was patterned along a similar model. The French group brings in its international clients and keeps a 51 percent majority interest in each jointly owned affiliate while the national partner handles the actual buying.

To date, Sweden is the only other country outside France where independents have won over 60 percent of the market.

Bargaining

Media bargaining in both Italy and Spain is very similar to France. Spain, in particular, has proved a fertile field for affiliates of French companies. Idemedia, however, chose as its partner the pioneer of the independent movement in Spain, Media Planning, number one in the marketplace and owned by a powerful syndicate of banks and investment companies.

In England and Germany, media rates are traditionally non-negotiable. But with cut-throat competition between the press groups, times are changing. Media independents who used to work mainly by securing prime positions for clients are now beginning to negotiate price advantages as well.

In England, Chris Ingram & Associates (CIA), the Idemedia partner, is one of the best-known names in the country.

Pan-European Service

The German partner, Hiemstra Media Services (HMS), was responsible for introducing independent media buying to Germany. Its biggest client is none other than the Bundespost, the national post office. HMS has joined with Idemedia to start up a media buying group in Switzerland, where the business is still relatively small. In the next 10 years, Idemedia expects to see more and more advertisers buying Europe as one market. Satellite television will be out of its infancy. International media will take on added importance. At the same time, research and computerization in media buying will become increasingly expensive. Pooling the combined research facilities of the Idemedia partners will make it possible to provide the best pan-European service at the best possible price.

BARTER: WATCH THIS SPACE

FLIP on the television in France today and you may get a glimpse of Alexis Carrington, alias Joan Collins, displaying her well-preserved charms on Dynastie. Zap through the channels to see JR Ewing, ever so implausible in dubbed French, betraying the long suffering Sue Ellen for the umpteenth time on Dallas. Dynastie and Dallas are unlikely crowd pleasers in the land of Charles de Gaulle. But who would believe the most popular program of them all this year — the golden oldie gameshow, the Wheel of Fortune?

The show has proved to be a goldmine for its sponsor, Unilever, the Dutch multinational. In return for bankrolling the production, Unilever gets free ads on the program wherever it is aired. In France today, the show guarantees Unilever a prime time slot for a bargain basement price.

New in Europe

This is a perfect example of what is known as barter TV — already flourishing in the U.S. but only just getting off the ground in Europe.

One of the first to move into the new slot is Idemedia. They recently set up a spin-off company called Mediaprogram, designed to offer a wide range of barter-inspired opportunities to clients.

Currently, the field is wide open. French television has expanded from three channels to six in the space of two years. The number of blocks

of ads has exploded from 250 to 1,300 per week.

Ads have multiplied to fill the void but there are simply not enough programs to go round. Hence the proliferation of American programs, some of them over 30 years old, like The Inimitables and Peter Gunn. New series and productions are in preparation but they are not yet completed. Other shows, hastily patched together, are not producing the hoped-for audience. But the biggest problem is money.

The cost of TV production is such that new ways of financing must be found. Barter is the natural extension of sponsoring, and comes in a number of variations. The advertiser can physically produce a program and incorporate his own ads. He then sells or gives away the "package" to the TV station, depending on how the two parties negotiate the deal.

Prizes for Time

On the other hand, the advertiser might ask to exchange his programs against ad time on another show. He may even sell these spots on to a third party. Another trend is to go back to basics. The advertiser pays for his ads with his own merchandise. The attractive prizes given away on game shows often originate as gifts from advertisers in exchange for time.

Laurent George, Mediaprogram director, explains that his group is currently following the work of nearly 100 TV producers, with a view to put-



"And now for a word from our sponsors..."

ting the right client in liaison with the right project. "It is imperative that companies make an intelligent choice among all these productions," he says.

Mediaprogram helps the client make a decision by asking four basic questions: How many people will an advertiser reach through television and which is the best way to estimate? Who exactly will be reached, by zone and by category of client, knowing that the targets vary? What fall-out can the advertiser expect in other media? How will the operation affect the company's image? To answer these questions, Mediaprogram will work in liaison with Credome, the research arm of Idemedia.

Laurent George estimates that sponsoring and barter will represent between 5 and 10 percent of the French advertising market in 1988. "Producers need help to defray costs," he says. "And the TV channels are interested for the same reason. With barter, they don't need to buy a production and then wait to see if ads can finance it."

Quality Fiction

Studies show that the price of a series in France is estimated at 2 million francs per episode. Unless the show sells abroad, the investment cannot be recuperated in the French market alone. Barter is one solution but by no means the only one.

"Eventually we hope to produce our own quality fiction," says Mr. George, "but programs like this will never be financed entirely by barter. This is why we are looking for partners to co-finance. We feel that ambitious, prestige projects will appeal to banks and insurance companies, companies who need to project an image of quality and solidity."

Currently, the CNCL, the official control board in France, is working on new rules to regulate "barter" in France. But the battle at the European level appears already to have been lost. For with the progress of satellite television, it has become harder and harder to impose rules.

A GASTRONOMIC GUIDE

NEUILLY A LA CARTE

THE Defresne family bought Jarrasse (4 ave. de Madrid, tel.: 46.37.16.32) from its founder and eponym in 1980 and has continued to improve on its reputation as one of the area's best seafood restaurants. The most frequently ordered dishes at Jarrasse are the *bouillabaisse à la Marseillaise*, the *loup grillé au fenouil* and the *mille-feuilles au grand marnier* for dessert, which is made by the house baker and must be reserved because of its popularity.

If there isn't a free table at Jarrasse, walk one block over to La Rascasse (10, ave. de Madrid, tel.: 46.24.05.30). Founded in 1976, La Rascasse (means scorpion fish) is half the size of its competitor and its menu has half the choices. However, La Rascasse offers

as many as a dozen plats du jour — Jarrasse has one — depending on what the daily catch has brought to market. The *loup au thym* and the *coquilles St. Jacques* are among the restaurant's most sought-after main dishes. With your fish, try the chilled *saumur champagne*, a popular red wine recommended by owner Louis Franza.

For traditional French fare served in a traditional French bistro, try La Boutarde (4 rue Boutard, tel.: 47.43.34.55), just half a block north on the rue Boutard. "People come to have a nice meal," Netto said, "but they're also attracted by the friendly ambience that my team creates." Here you will find the *boeuf grillé, blanquette de veau, sole d'agneau* and the *foie-gras Dijonnais* that are staples of French cooking.

Owner Françoise Netto recommends the tarama.

For regional French cuisine, cross the avenue Charles de Gaulle to the northeast side of Neuilly. Le Chambord (17 rue Paul Chabrousse, tel.: 47.47.73.17) specializes in game from Quercy, the region along the western foothills of the Massif Central where chef and owner Philippe Lempereur grew up. It is one of the few places in and around Paris where you can order a *canard au sang*. You'll also find pheasant and partridge and dove at Le Chambord. A fine list of hearty burgundies and bordelais accompany the menu. Reservations are essential, for Le Chambord has only 60 seats and a large, loyal clientele.

The same is true at Carpe Diem (10 rue de l'Eglise, tel.:

46.24.95.01), a restaurant with only ten tables clustered in one simple salon. Chef and owner Serge Coquoin offers game in season and fish dishes. "The style of the restaurant is a bit English," he said, "but the food is traditional French country cooking."

Six doors down on the same street, chef/owner Alain Albert oversees the operations at Le Manoir (4 rue de l'Eglise, tel.: 46.24.04.61) from behind a bank of stoves. Le Manoir offers a menu at 200 francs with wine included. "We provide our patrons with traditional French cooking," Albert said, "but because we have a lot of business people come here, we also try to keep our meals light."

Light is the last word in Madame Siegrist's vocabulary, the *patronne* at La Ferme de la Jatte on the Ile de la Grande Jatte (197 bd Bineau, tel.: 46.24.69.18). "We tried some of that lighter stuff," she said, "but we took it off the menu because we didn't like it." At La Ferme de la Jatte you will eat traditional dishes cooked with the care your grandmother would have taken had she been French. "We have a grill at lunch for 60 francs to accommodate the young secretaries who work around here but don't have the kind of money it takes to eat in a restaurant every day." The restaurant, which also has a 100-franc menu, has been in the family since 1945.

At the eastern end of the island, you'll find Le Petit Poucet (1 bd de Levallois, tel.: 47.38.61.85). The young and sporty like to

gather here because "the food is good, not too expensive, and we have the prettiest waitresses," owner Raphael De-

cinema set takes over. "We have a reputation for attracting a very *à la mode* clientele, but we're putting a lot of emphasis on our menu because we also want to be known as a good restaurant," said Luc Peyronnel, one of Café La Jatte's owners. The bold print on the menu will tell you that the cafe's pastries are made by Le Nôtre and that for 800

de bouclier and the *escalope de saumon aux petits légumes* were the most frequently recommended dishes. On the nights when Guivarch is in the mood, he'll sing and tell jokes. The Guinguette's intimacy and the joviality that Guivarch and his crew inspire make this the kind of place that the regulars want to keep a secret.

If you're in the mood for Italian food, Livio, at 6 rue de Longchamp (tel.: 46.24.81.32) about 100 yards southwest of the avenue Charles de Gaulle, has a menu that gives a fairly complete representation of Italian gastronomy. Anything that the restaurant doesn't provide can probably be made at home with ingredients bought at Livio's Italian food market next door. Transparent plastic ceiling panels in the back dining rooms give Livio's clients the impression of dining out of doors even in the winter. The 125-franc menu includes a drink. Livio is open every day of the week, so no craving for Italian cuisine need go unbarred.

La Chevanchée (209 rue, ave. Charles de Gaulle, tel.: 46.24.07.87) is a French restaurant with a Spanish soul. If you order the typically French items on the menu, you will have a good meal, but you will have missed out on the kind of food that has built a devoted following for La Chevanchée. The *paillo valencienne* and the *marzuela* (a Spanish *bovillabaisse*) are particular favorites of the owner, who comes from Aragon, the region around Barcelona. Their wine list includes many good bottles from the Rioja, such as the Marqués de Riscal and the Marqués de Murrieta. La Chevanchée also has a 125-franc menu, but the wine is not included.

Right in the middle of Neuilly, just to the left of the International Herald Tribune building, is Le Village (175 ave. Charles de Gaulle, tel.: 46.37.17.56). More than a favorite spot to unwind after a deadline, Le Village serves a variety of French dishes principally from the Auvergne in central France. Le Village, open every day of the year, features *confit de canard, pain de campagne au vinaigre, soupe de haricots* (duck gizzards on a bed of *salade frisée*) and a special wine called Marcella, from the *patron's* hometown of Aveyron.

— Aubéry de France



Café La Jatte, a restaurant to see and be seen in.

montremini said. Le Petit Poucet has a 90-franc menu and a wine list with only one "big" bottle on it. The average check comes to 160-170 francs per person.

The Ferraris parked in front of the Café La Jatte (60 bd Vital Bouhot, tel.: 47.45.04.20) — just a hop, skip and a jump from the Petit Poucet don't belong to its patrons, they and the 75-foot-long, styrofoam plesiosaur hanging over the tables in the Café's warehouse space form part of the decor. At lunch, its 250 seats are occupied by advertising execs from the area. For dinner, the

francs you can order an Hermès table fireworks display.

La Guinguette de Neuilly (12 bd de Levallois, tel.: 46.24.23.04) is just a stone's throw from the front bumper of the Ferraris guarding the door at Café La Jatte, but at the other end of the restaurant spectrum in terms of decor and ambience. "People come here to take it easy and have a good time," said owner and manager Christian Guivarch. According to La Guinguette's patrons, people also go there to eat well. The *bricole à la moutarde et au beurre de porc*, the *tagliatelle aux moules*

L'île de la Grande Jatte offers more than just French restaurants. Chez Yan (217 bd Bineau, tel.: 46.24.02.38) produces Cantonese (as opposed to Szechuan, which is spicier) and Vietnamese dishes, such as *croutons joyeux*, *caisses de grenouilles à la cantonaise* and *crabe farci*. In addition to seafood, the menu includes all the meat and chicken dishes that have become favorites to occidental palates. While waiting, Yan suggests tasting the Kuei Hui Chen Chien, an appetizer made of sorghum alcohol and flavored with bay leaves.

DRIVE-IN WITH A DIFFERENCE

NEUILLY has chartered a new planet. Alain Papiernik and his crew from the Aviatric Club in the Marais are at the controls of Planet (6 rue du Commandant Pilot, tel.: 46.40.08.88), the latest celestial body in the capital's culinary constellation.

Architects Patrice Dangel and Fabrice Angelo Santo, surely a match made in heaven, have transformed a '20s auction house and dance hall into a '30s American diner, or dinner hall as it's being called by the management. Aquamarine, pink and bleached green are the basic colors of this 600-square-foot, split-level idealization of the eatery that became part of the teenage vocabulary in America 30 years ago. Swooping curves

and jutting angles recall the fins of classic Cadillac models.

Nothing here was left to chance. The furnishings were chosen in Canada by a set designer for French film director Claude Lelouch. "People also want a show, a spectacle when they go out to eat," Papiernik said. "We're going to give them a good meal, but also the kind of decor that they'll remember three days after they've walked out the door."

Planet offers typical American food like T-bone steaks, bagels and cheesecake baked by the Marriott Hotel chain's pastry chef. You can also find more exotic regional dishes on the menu, such as grilled salmon in honey and cajun steak tartar. The bar mixes, from an inexhaustible list of

drinks, any one of a rainbow assortment of fresh fruit cocktails with or without booze. Brunch, however, is not the usual pancakes and bacon à l'américaine because, according to Papiernik, "every place in Paris does that." Planet promises an English Sunday brunch with scones and eggs benedict.

Should you wish to work up an appetite, drop downstairs to the driving range and grab a club. The miniature range came with the space when the people from Planet bought it. They decided to keep it and make it a part of the restaurant, a wise choice considering the increasing popularity of golf in France.

The drive-in diner opens at 10 in the morning and closes at 2 the following day. Your

meal won't be rushed out to you by a waitress on roller skates, but you can drop your keys off with a Planet valet and have him solve the parking problem for you.

Planet seats 100 in the main dining room and the balcony, but if you can't find a table immediately, pull up to the 14-meter-long bar while you wait, there's sure to be room. A mosaic of blue glass fragments imported from Italy decorates the bar, and the spandrel area in front of it is a raised platform in a wave pattern. You no longer need to roll your eyes toward the sky the next time someone suggests eating at one of the same old places. Reset your gastronomic coordinates on Planet and take off for Neuilly.

— Aubéry de France

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SATURDAY-SUNDAY, DECEMBER 12-13, 1987

ECONOMIC SCENE

Facing Up to the Reality
Of the Record Trade Gap

By LEONARD SILK
New York Times Service

NEW YORK — The White House tried to put the best face possible on the newly released trade data for October, suggesting that one should not pay too much attention to numbers that probably would be revised later. This sounded like the small boy's plea to Shogun Joe Jackson, implicated in the Black Sox baseball bribery scandal: "Say it ain't so, Joe."

But, alas, it was so, and it is so, give or take a few dollars. October's \$17.6 billion deficit appears to be the biggest monthly trade deficit on record. Imports were the highest ever — \$39.4 billion, up nearly \$6 billion from September. Exports were \$21.8 billion, up less than \$1 billion.

For the first 10 months of 1987 the trade gap ran at an annual rate of \$17.5 billion, well above last year's \$15.2 billion.

The news knocked the dollar down to postwar lows Thursday, 1.6325 against the Deutsche mark and 129.05 against the Japanese yen. In February 1985 the dollar was worth 2.47 DM and 263 yen, so its value against these currencies has been cut in half.

"Much of our economic headache stems from the monstrous decline of the dollar," said Albert M. Wejnlower, the chief economist of First Boston Corp., before the figures were issued. He said it was not surprising that in the last three years, while the dollar was falling, the trade deficit had widened by about 40 percent. The trade deficit now equals about 4 percent of the gross national product.

Disappointing trade statistics for August helped trigger the stock decline in mid-October, leading to the Dow's 508-point plunge on Oct. 19. Yesterday the stock market, after a brief recovery, then fell again, closing with a loss of 47.08 points. Economists rationalized its relative resistance to the trade news by saying the market couldn't "get killed again." But the bond market and the dollar were jolted downward by the worsened trade gap.

M. R. WOJNOWER contends that the trade deficit and the burden it puts on securities markets "can be alleviated only by curtailing our domestic resource use." This means, as he sees it, that U.S. governmental use of labor and industry, personal consumption and business investment will have to stop growing, possibly for several years. Such a halt to growth, he warns, carries a "significant risk of recession" — even in a presidential election year.

The United States has been consuming more than it produces, covering the difference with imports and financing the imports with foreign debt. At the rate the nation's external debt is growing, it could reach \$1 trillion by 1990, equal to the foreign debts of all other countries. The U.S. foreign debt cannot pile up indefinitely without increasing dangers of inflation, climbing interest rates, economic slump and more troubles in the securities markets — and new plunges in the dollar.

"To force us to reduce our domestic demand, and thereby our trade deficit, we are going to have to become poorer," Mr. Wojnower said. Stock and dollar declines, he added, "are simply the ways in which this inexorable reality is asserting itself."

The task of bringing down domestic consumption and the trade deficit will be achieved one way or another, like it or not. The falling dollar and securities markets are one way, so far, he says, their combined effect in curbing domestic demand has been relatively minor. After the trillion-dollar collapse of the stock market in October, John Reed, chairman of Citicorp, asked, "Where's the blood?" But Mr. Wojnower now asks, "Who is to say how much deeper these declines may extend?"

Other paths to the "unavoidable impoverishment" of America are the "unavoidable impoverishment" of America.

Currency Rates

Cross Rates	Dec. 11
American dollar	1.6325
British pound	1.6325
Deutsche mark	129.05
Japanese yen	263.00
Swiss franc	1.6325
French franc	1.6325
Italian lira	1.6325
Spanish peseta	1.6325
Portuguese escudo	1.6325
Belgian franc	1.6325
Dutch guilder	1.6325
Australian dollar	1.6325
New Zealand dollar	1.6325
South African rand	1.6325
Israeli sheqel	1.6325
Indian rupee	1.6325
Pakistani rupee	1.6325
Sri Lankan rupee	1.6325
Thai baht	1.6325
Singapore dollar	1.6325
Malaysian ringgit	1.6325
Indonesian rupiah	1.6325
Philippine peso	1.6325
Tagalog peso	1.6325
Chinese yuan	1.6325
South Korean won	1.6325
Japanese yen	1.6325
Swiss franc	1.6325
French franc	1.6325
Italian lira	1.6325
Spanish peseta	1.6325
Portuguese escudo	1.6325
Belgian franc	1.6325
Dutch guilder	1.6325
Australian dollar	1.6325
New Zealand dollar	1.6325
South African rand	1.6325
Israeli sheqel	1.6325
Indian rupee	1.6325
Pakistani rupee	1.6325
Sri Lankan rupee	1.6325
Thai baht	1.6325
Singapore dollar	1.6325
Malaysian ringgit	1.6325
Indonesian rupiah	1.6325
Philippine peso	1.6325
Tagalog peso	1.6325
Chinese yuan	1.6325
South Korean won	1.6325

Other Dollar Values
Currency Per \$
Aust. dollar 1.3525
Belg. franc 1.6325
Can. dollar 1.3525
Dutch guilder 1.6325
Fr. franc 1.6325
Gr. dr. 1.6325
Hong Kong 1.6325
Ind. rupee 1.6325
Ital. lira 1.6325
Jap. yen 263.00
Mex. peso 1.6325
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Forward Rates
Currency 30-day 60-day 90-day 120-day
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Key Money Rates Dec. 11
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Asian Dollar Deposits Dec. 11
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Yug. dinar 1.6325 1.6325 1.6325 1.6325

Gold Dec. 11
Currency 30-day 60-day 90-day 120-day
Aust. dollar 1.3525 1.3525 1.3525 1.3525
Belg. franc 1.6325 1.6325 1.6325 1.6325
Can. dollar 1.3525 1.3525 1.3525 1.3525
Dutch guilder 1.6325 1.6325 1.6325 1.6325
Fr. franc 1.6325 1.6325 1.6325 1.6325
Gr. dr. 1.6325 1.6325 1.6325 1.6325
Hong Kong 1.6325 1.6325 1.6325 1.6325
Ind. rupee 1.6325 1.6325 1.6325 1.6325
Ital. lira 1.6325 1.6325 1.6325 1.6325
Jap. yen 263.00 263.00 263.00 263.00
Mex. peso 1.6325 1.6325 1.6325 1.6325
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Thailand 1.6325 1.6325 1.6325 1.6325
UK 1.6325 1.6325 1.6325 1.6325
US dollar 1.0000 1.0000 1.0000 1.0000
West. Germany 1.6325 1.6325 1.6325 1.6325
Yug. dinar 1.6325 1.6325 1.6325 1.6325

Producer Prices
In U.S. Steady,
Retail Sales Up

November Data Good News
For Markets, Analysts Say

Compiled by Our Staff From Dispatches
WASHINGTON — The Producer Price Index, usually the harbinger of future U.S. consumer prices, was unchanged from October to November, while retail sales rose a modest 0.2 percent, the government reported Friday.

The report by the Labor Department on wholesale prices, as measured by the price index, suggested that inflation would continue to be moderate. The index, adjusted for seasonal variations, had fallen 0.2 percent in October.

The encouraging report on prices was expected to be good news for the financial markets as they tried to recover from a battering Thursday after the record U.S. trade deficit for October was announced.

The Commerce Department's report on retail sales indicated that the Christmas selling season was off to a slow start, but economists said the report was the clearest indication yet that consumers had not cut their spending, drastically immediately after October's stock market collapse.

The weakest sales were in the automotive and furniture sectors, the department said. If cars were excluded, total retail sales rose 0.4 percent in November, the government said.

The rise in retail sales and the unchanged producer price figure "show we are in a no-boom, no-bust economy," an analyst said.

Modest increases in food prices were offset by declines in energy goods prices, which fell for the third consecutive month, the Labor Department said. Wholesale prices last month were 2.5 percent above the level in November 1986.

Wholesale consumer food prices rose 0.3 percent during the month, but that gain was offset by a 0.2 percent drop in all other consumer products, the government said.

Prices of finished durable consumer goods — those expected to last three or more years — fell for the second consecutive month, dropping 0.1 percent. Prices of non-durable consumer goods fell 0.2 percent.

The government index has not climbed more than 0.3 percent on a month-to-month basis since April, when it climbed 0.5 percent.

Advance estimates of retail sales were \$125.9 billion compared with a revised \$125.6 billion in October, when sales fell 0.9 percent. The Commerce Department originally reported a 0.9 percent rise.

See ECONOMY, Page 19

Computer Fault Blamed
For U.K. Inflation Error

Compiled by Our Staff From Dispatches
LONDON — A computer programming error has led to Britain's annual inflation rate being understated by up to 0.1 percent in monthly reports since February 1986, the Department of Employment said Friday.

It reported that retail prices rose at an annual rate of 4.1 percent in November, compared with the 4.5 percent yearly rate reported in October.

But the discovery of the computer error prevented the scheduled release Friday of the price index, the department said. It said a revised breakdown would be released sometime next week.

Employment Secretary Norman Fowler hailed November's annual inflation rate as a "welcome drop" in inflationary pressure from October. But he added that while the figure for November was correct, the rate for October was a slight underestimate.

Some government benefits are linked to the inflation rate and increased annually. Unofficial estimates put the British government's savings because of the mistake at about £100 million (about \$183 million).

That would mean that the 9.5 million in Britain drawing retirement pensions, the largest group affected, could expect a windfall payment of £5 to £10 each, economists said.

The department said the programming error had been rectified, but that it had not been possible in the time available to calculate figures for the many detailed components of the price index.

Mr. Fowler said that from February 1986 until January 1987, there was a regular understatement of about 0.06 percent in each monthly change in prices relative to the base month, which was January 1986.

The index was this year rebased to January 1987. From February 1987, as the faulty program was applied to a wider range of items, the understatement relative to January 1987 was about 0.09 percent.

The department said that 130,000 prices are collected each month and analyzed in a complex set of calculations. The index has been calculated by computer methods since February 1986.

Monitoring of the system revealed that the programming mistake originally was made in 1985, in detailed calculations for certain items, the department said.

Officials said earlier figures would not be revised, as they were rounded off to the nearest one-tenth of a percentage point anyway and the difference would be minimal.

(Reuters, APF)

Taiwan Dollar Obeys as U.S.
Tries to Tame Trading Tigers

HONG KONG — Renewed U.S. charges of unfair trade practices against Asia's four trading tigers — South Korea, Taiwan, Hong Kong and Singapore — produced movement by one of the most ferocious on Friday.

In Taiwan, the local dollar posted a record 9 cent rise to 29.02 against the U.S. currency as the central bank halted intervention.

"The central bank has clearly been given a message it can't ignore," one Taiwanese banker said.

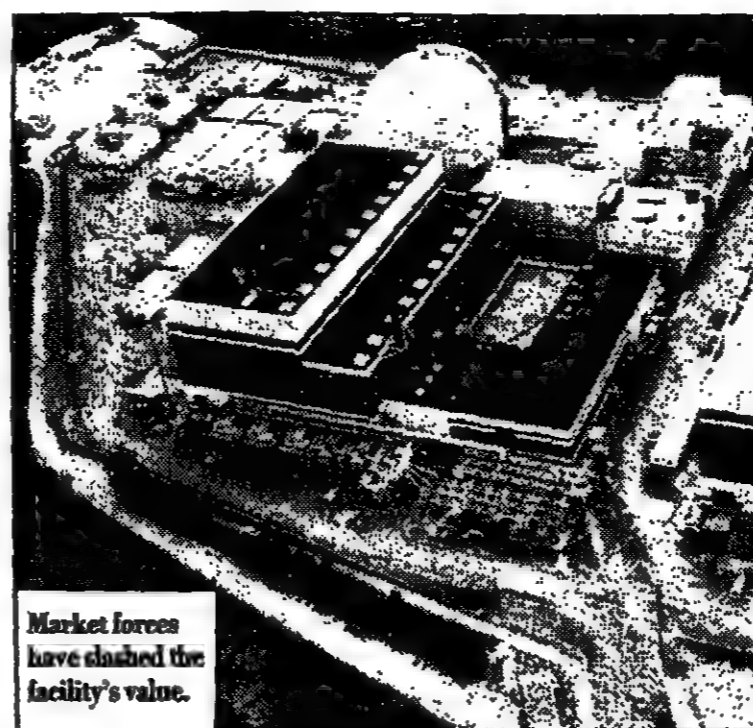
The central bank was changing course after purchasing about \$3 billion in U.S. dollars over three days to slow the Taiwan dollar's ascent.

The United States has accused the four newly industrialized countries of contributing to the slow turnaround in the U.S. trade deficit by not letting their currencies appreciate rapidly enough.

Commerce Secretary C. William Verity said on Thursday after an announcement of the record U.S. October trade deficit of \$17.6 billion, "The failure of those countries to permit the exchange rate of their currencies to appreciate is a major cause of the problem."

He echoed charges by David C. Mulford, an assistant U.S. Treasury secretary, who in November accused the four of being "tiger" — "strong, ferocious traders" — and particularly criticized Taiwan and South Korea.

Not Unless Oil Goes to \$130
Will This Plant Make Sense



Aerial view of the Seabrook nuclear power plant in New Hampshire.

By Matthew L. Wald
New York Times Service

BOSTON — When the Seabrook nuclear plant was conceived, it was intended to be competitive with oil at \$12 a barrel. Now that Seabrook is finished, it could still save consumers money — if oil were to rise above an improbable \$130 a barrel.

That calculation comes from a prominent energy analyst not connected with Public Service Co. of New Hampshire, Seabrook's biggest owner. A similar conclusion is implicit in the strategy of creditors planning to carve up the nearly bankrupt utility. They have put the plant very low on the list of the assets they want to inherit.

Indeed, the New Hampshire project stands as a monument to how inefficient construction of nuclear power plants can become. One of the few nuclear plants that would displace oil — as opposed to coal, the prime fuel for making electricity in the United States — Seabrook was supposed to cost \$1 billion, for a twin-reactor plant, and be competitive with oil at \$12 a barrel.

As oil rose to \$34 a barrel, the early cost overruns seemed forgivable. But now Seabrook's value has been severely diminished by the realization that market forces will not allow oil to stay in that range, at least not soon.

The Seabrook plant, conceived in the early 1970s, was delayed for years by construction problems and political and environmental opposition. It is now complete but not yet licensed, mainly

because of the high cost of the plant. The plant was supposed to cost \$1 billion, for a twin-reactor plant, and be competitive with oil at \$12 a barrel.

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AMEX Stock Index			
High	Low	Close	Change
243.07	240.80	242.72	+1.88

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.



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(Continued on next page)

هكذا من الشعر

SPORTS

'Domed'

By Ira Berkow
New York Times Service

NEW YORK — Rollers, or mailpersons, as the case may be, increasingly must be even harder than football players.

The mail people have an old motto: "Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds."

The time is not only a favorite — for the mail, the rhythm, the energy, that deft, adroit, swift — but it points out a difference between everyday heroes (whose quotidian efforts are sometimes slowed but never extinguished) and what is happening to Sunday heroes in the United States.

There are now five domed stadiums in the National Football League, from New Orleans to Houston to Pontiac, Michigan, to Minneapolis to Seattle. And more appear on the way.

Other than for a leak in the ceiling or a collapse of the roof or the thermostat going bonkers or the lights going on the fritz, there's

no reason that our gridiron gladiators should play in snow or rain or heat or gloom of night. Yet combating the elements has historically

studied, or a bordello, anything but a football theater.

Now, football games have been played there before, and so have baseball games. No reason now to go into the recently concluded World Series in which the Twins and their full-throated and homer-happy flapping fans were victori-

Football Is

been associated with the brutal pleasures of football.

Last Sunday evening a football game, seen on national television, was played in the newest and nastiest and noisiest of the covered hippodromes, the Hubert H. Humphrey Metrodome in Minneapolis, known locally as The Hump. It pitted the home team Vikings against the Chicago Bears.

This is a venerable rivalry between a group once known, on one hand, as the Purple People Eaters, and on the other as the Monsters of the Midway.

Surely these two factions could have frolicked and gambled and busted each other up in any atmospheric condition. Instead, they were reduced to playing in a predominantly peach-colored, silken-looking setting. The lights on the bubble ceiling give a sense of a

Sinking to

ous, and where possibly for the first time in World Series history the major point of discussion was not the lineup but the doleful level.

It was there a few years ago that Billy Martin, in his fourth act as manager of the New York Yankees, ranted and raved and declaimed that it was no place to play a baseball game, although, incidentally, he said that after his team had been beaten.

He was right about the dome being no proper domicile for baseball. Now we get from another major authority something we've believed for some time. And that is, a dome is no place to play a football game, either.

That's what Mike Ditka said. The coach of the Bears was aggrieved during the last week that his monsters had to suffer the gentrification of football.

"Football," he said, "should be played outdoors." Ditka wanted snow, he wanted rain, he wanted heat, he wanted gloom of night. Or any reasonable facsimile. He wanted what letter carriers must contend with. He wanted anything but indoors.

What's a domed stadium best for? Roller derby, stated Ditka.

the Level

Now, no one can disparage roller derby, not in this space, anyway — and Ditka probably wasn't, noting only that there were different forms for different sports.

This observer grew up on the roller derby, in a manner, watching it on television with special pride because of cousin Herbie. Cousin Herbie skated in the early major league, around 1950, and was a jammer, or may have been a blocker

— memory begins to fade — for several teams, including the Midwest Pioneers and possibly the San Francisco Bay Bombers and the Jersey Jolters, too.

Herbie Gilmore, tall and angular and long-sighted, wasn't one of the front-line skaters, not a Dynamic Mike Gannon, or even a Toughie Bruhan. In fact, he wasn't even Herbie. He called himself Robert Gilmore in the roller derby. Robert was his middle name, and I presume he thought Robert gave him a certain elegance, or fierceness, that Herbie lacked.

This was before the sport turned into razzing-on-wheels, and you'd get hit with a chair if you passed somebody. In the days of cousin Herbie, there was elegance, as well as fierceness, to the sport. And skill.

And when, in film clips the other day, we saw Ditka take a joke and don the roller skates sent him by the Vikings, then skate on the carpet through the Bears' office, we noted that he, too,

must have watched roller derby. Maybe even watched cousin Herbie. For Ditka, whizzing along, lifted one knee waist high, in traditional roller style, when they'd sweep around the banked track.

"The man's crazy," Ed Marinaro, a former Viking turned gunsmith on "Hill Street Blues," turned color commentator for an evening, said Sunday on television in regard to Ditka's remarks about the necessity of playing football in the elements. "It's near zero outside and your hands are so cold you can't feel the ball and your nose is running and you're slipping and sliding. It's nasty outside. It's nasty outside."

Who needs nice for football? Legendary games were played in the snow and mud and wind and misery.

If football teaches us anything, it's that life is not a bowl of cherries, that a football stadium should never be mistaken for a roller rink, and that gloom of night is not when someone dims the house lights.

Derbys

But as Season Dwindles, Playoff Hopes Still Rise

By Gerald Eskenazi
New York Times Service

NEW YORK — With but three games left in the National Football League's regular season, one in the American Conference can make plans for New Year's. For no one knows who is going to the playoffs.

On Sunday morning, 12 of the conference's 14 teams will be in contention for playoff spots, with only the Cincinnati Bengals and the Kansas City Chiefs eliminated. In fact, it is possible that not one playoff berth will have been decided by the time the next-to-last weekend's games start Dec. 19.

This weekend, only one playoff berth can be decided, and that could go to the Denver Broncos, who lead the Western Division and play the Seattle Seahawks on Sunday night. If the Broncos win, and either the Cleveland Browns, the Houston Oilers or the Pittsburgh Steelers — all at 7-5 in the Central — lose, then Denver has a wild-card berth.

In the National Conference, three division titles have been decided, along with one wild card. But get this: The New York Giants, at 4-8, are still in contention. That could end, though, even if they defeat the St. Louis Cardinals. Should the Minnesota Vikings win and the Los Angeles Rams or the Philadelphia Eagles lose, the Giants are out.

Maybe Minnesotans Are Mostly Very Rich

The Associated Press

SHAKOPEE, Minn. — This state's horse players left \$320,000 worth of betting tickets uncashed in 1985. Last year, it was \$402,000. Now the 1987 total is in: \$455,000 in uncashed winners, including one Pick Six ticket worth \$38,102.

"I had an explanation for it the first year," said Dick Krueger, who became director of pari-mutuels for the Minnesota Racing Commission in 1985. "It was a new sport then and people were still learning. I have no explanation for what's happened the last two years."

He said that several 1985 tickets, worth more than \$10,000 went uncashed, with "one for \$12,500 that I recall."

Ticket-holders have a year to collect through the commission, which will continue to cash tickets for the 1986 season through March 10. As for 1985's, they're all losers, now.

Will the Vikings Sack Moscow?

The Associated Press

MINNEAPOLIS — Summit meeting fever has surfaced in the National Football League.

In a letter delivered Thursday to the Soviet leader Mikhail S. Gorbachev at the Soviet Embassy in Washington, Senator David F. Durenberger, Republican of Minnesota, proposed that the Minnesota Vikings play another NFL team in August 1989 in the Soviet Union.

That moved Mike Lynn, general manager of the Vikings, to observe that the history of the Vikings, both ancient and more recent, make them a perfect choice to play the first U.S. pro football exhibition game in the Soviet Union.

"The Vikings are used to traveling to strange places and strange countries," he said, referring to the Norsemen who inspired the football team's name. "We're kind of explorers by tradition, so why not explore new frontiers in countries that have not been exposed to NFL football?"

The modern Vikings, he pointed out, broke ground with a 1983 exhibition game in London. Next year, they will play an exhibition in Sweden, in the NFL's first foray into Scandinavia.

Durenberger and Lynn said that, for symbolic reasons, the St. Louis Cardinals or the Chicago Bears would be the ideal second team for the Soviet Union. The Cardinals are known as "the Big Red" in St. Louis, and the bear is the Russian national symbol.

Lynn said he expected a favorable response from the Soviets, though no reply was made Thursday to Durenberger's letter.



GLASNOST, NOT DETENTE — Nikolai Maslov of the Soviet Selects and Steve Leach compared sticks Thursday night in Richfield, Ohio. Team USA won the first of eight exhibition games, 8-5.

Tokyo Bids for Righetti, Steinbrenner Yells Foul

By Murray Chass
New York Times Service

DALLAS — Free-agent relief pitcher Dave Righetti can defect to Japanese baseball for at least \$8 million over two years, but the huge offer has left him "confused" and has prompted the New York Yankees' owner, George Steinbrenner, to say that it could seriously damage U.S.-Japanese baseball relations.

"I'm basically overwhelmed by the Japanese offer," Righetti said Thursday night by telephone from his home in San Jose, California. "It's a staggering amount of money to play baseball. It's something you can't ignore. It's mind-boggling to me. I have to take it very seriously."

"It's a tough thing to do, to pick up and leave the country, and I'm rather confused. I don't know whether to do it or not. I don't want to turn around in 10 years and say, damn, I should've gone to Japan and taken all that money. I know it would be a huge adjustment, but I think I can handle it."

Bill Goodstein, Righetti's agent, who disclosed the offer from the Tokyo Giants, said that it was for slightly less than \$10 million. A friend of Righetti said it was for slightly more than \$8 million.

Righetti said that "I know that no matter which way I go I'll always wonder if I made the right choice. I'm very much up in the air right now. I never get headaches, but I've got a big one now."

The offer did not delight Steinbrenner. "Yes, it bothers me," he said. "Some people expressed deep concern last year about some of the offers from Japan. If they want good relations with American baseball, they better be careful. It would be ill-advised by Japanese baseball. If he wants to go over and play in Japan, he can. But I think Dave

Righetti is a solid kid and I think his parents will have something to say about it. It's up to the kid. He's going to have to come to a conclusion soon."

Steinbrenner said he would not try to match the Tokyo offer but would consider offering Righetti the third year he wants. The Yankees have offered two years for \$1.2 million each and the several other clubs that have made offers have not exceeded two years.

"I don't like to give pitchers three years, but you never know," Steinbrenner said. "We have not considered it at this point, but we'd consider it."

While the Yankees and Righetti, 29, are far apart on contract terms — he would like \$1.5 million a year for three years — there's also the ill feeling the player has toward Steinbrenner, who never changed the bonus provisions in Righetti's five-year contract when the pitcher was changed from a starter to a reliever one year into the contract. That cost Righetti money because he twice won the award as the best reliever in the league.

Then there was the meeting the two had in Yankee Stadium in September.

"David hadn't met with George in five years," said Leo Righetti, the pitcher's father, speaking from San Jose earlier Thursday. "He went up to see him just to find out how he felt about re-signing him. George told him he'd have to think about it. He said, 'We really don't need you that bad.' David hasn't talked to him since."

The Tokyo Giants reportedly would use Righetti as a starter. They apparently think they can pay him \$4 million or more a year because they have a new stadium and expect to sell all the seats. Interestingly, the same team has made an offer to Bill Gullickson, another Yankee free agent pitcher. It is believed to be for \$3 million for two years.

SCOREBOARD

Basketball			
NBA Standings			
EASTERN CONFERENCE			
Team	W	L	Pct.
Boston	11	7	.611
Philadelphia	8	7	.533
New York	6	12	.333
Washington	5	12	.293
New Jersey	2	14	.125
CENTRAL DIVISION			
Detroit	11	5	.688
Chicago	13	4	.762
Atlanta	10	6	.625
Indiana	11	7	.611
Cleveland	6	18	.250
WESTERN CONFERENCE			
Team	W	L	Pct.
Dallas	18	5	.781
Denver	17	7	.708
Houston	17	7	.708
Utah	9	9	.500
San Antonio	8	8	.500
Sacramento	4	13	.238
PACIFIC DIVISION			
L.A. Lakers	11	7	.611
Portland	9	9	.500
Phoenix	7	8	.467
Golden State	3	13	.188
THURSDAY'S RESULTS			
New Jersey	29	23	91
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88
Person	7-15	24-18	88

World Cup Skiing

WOMEN'S DOWNHILL			
Rank	Name	Time	Points
1	Michelle Platel, Switzerland	1:01.46	10
2	Sheri Wolf, Austria	1:03.84	8
3	Brigitte Oertli, Switzerland	1:05.91	6
4	Stefanie Kirchler, Austria	1:07.25	4
5	Lucy Garmann, Canada	1:07.44	3
6	Maria Wallner, Switzerland	1:07.80	2
7	Sylvie Esch, Austria	1:07.84	1
8	Karen Perco, Canada	1:07.85	0
9	Michelle Gars, West Germany	1:07.91	0
10	Karin Dettler, West Germany	1:07.92	0
11	Beate Mutschmayer, West Germany	1:07.93	0
12	Heddi Zoller, Switzerland	1:07.94	0
13	Veronika Wenzelberger, Austria	1:07.95	0
14	Heddi Zoller, Switzerland	1:07.96	0
15	Paula Kruttschnitt, Austria	1:07.97	0

Transition

BASEBALL			
Team	W	L	Pct.
Minnesota	11	7	.611
Seattle	10	8	.556
San Diego	9	9	.500
Los Angeles	8	10	.444
San Francisco	7	11	.389
Oakland	6	12	.333
San Jose	5	13	.278
San Francisco	4	14	.222
Oakland	3	15	.167
San Jose	2	16	.111

SPORTS BRIEFS

Figini Nips Wolf in Cup Downhill Race

LEUKERBAD, Switzerland (AP) — Michaela Figini of Switzerland skied Friday to her first victory this World Cup season, holding off Sigrid Wolf of Austria to win one of the circuit's most difficult downhill races. Figini started first and finished in 1 minute, 50.52 seconds over a course whose 2,575-meter (2,815-yard) length proved exhausting for the racers. Wolf, winner of the season's first super-G, at Sestriere, Italy, picked up time on the lower part of the course but finished 0.12 seconds back.

IOC Closes Loopholes in Drug Rules

LAUSANNE, Switzerland (AP) — Two loopholes in the anti-doping rules of the Olympics were closed Friday, while jail and roller hockey were added as demonstration sports for the 1992 Games in Barcelona. The International Olympic Committee's executive board banned the use of human chorionic gonadotropin, a substance that can increase the rate of production of naturally occurring steroids. And, in approving a report from the IOC's medical commission, the board also outlawed chemicals or methods that mask the use of illegal drugs in athletes. This includes probenecid, an anti-gout medication that can hide the presence of strength-building, and illegal, anabolic steroids in urine tests.

Dodgers, Mets, Athletics Swap Players

LOS ANGELES (AP) — The Los Angeles Dodgers acquired relief pitcher Jesse Orosco, the hero of the 1986 World Series, and Jay Howell and shortstop Alfredo Griffin on Friday in a three-way, eight-player trade that sent pitchers Bob Welch and Matt Young to the Oakland Athletics, while the New York Mets got right-handed minor league pitcher Jack Savage, Walt Whitburn and Kevin Tapani.

First, Orosco was dealt to the Athletics, who then sent him, Howell and Griffin, the 1984 American League all-star shortstop, to the Dodgers. The Dodgers sent Welch, Young and Savage to the Athletics, who sent Savage, Whitburn and Tapani to the Mets.

For the Record

Diego Maradona of Argentina, who had announced he would sign a contract keeping him with Italian Soccer League leader Napoli until 1993, lost his car but escaped injury in a highway accident while driving with his family to Rome to meet visiting President Rafal Alfonso of Argentina. (UPI)

Paolo Roesi, the hero of Italy's 1982 World Cup victory, announced that he was retiring from soccer. (AP)

Chris Wells, the first-round draft pick of the Philadelphia 76ers of the NBA, is out of the rest of this season and the first part of the next because of ligament and cartilage tears in his left knee. (AP)

Quotable

Tom Kelly, the Minnesota Twins' manager, asked if the fans' zeal made the Metrodome the best home field in baseball. "What does zeal mean?" (LAT)

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